Daily Report

Latin America

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Inter-American Affairs: OAS To Discuss U.S. Law at Rio Session

PY1106165996 Santiago EL MERCURIO in Spanish 10 Jun 96 p C3

[FBIS Translated Text] The Inter-American Juridical Committee will devote itself to studying the international legal validity of the so-called Helms-Burton law during its second session in Rio de Janeiro to be held 5-30 August.

Eduardo Vio, the only Chilean member sitting on the aforementioned committee, has informed EL MERCURIO about this. Vio has explained that on that occasion, the Inter-American Juridical Committee has to preferably deal with the matters the other organs of the OAS have entrusted to it and that the law that seeks to stiffen the trade embargo on Cuba will be uppermost on the committee's agenda.

Vio said: "Although I cannot voice my opinion a priori, it is a complex case in which several international principles come into play, such as the sovereignty of states, the right of states to protect their nationals, territoriality in the enforcement of laws, among others. The committee will try to rise to the challenge, as it has done on previous occasions."

The report to be released by the committee will not be binding on OAS member states. This notwithstanding, besides being an opinion on the legality of the Helms-Burton law, it may suggest that the governments of the countries of the Americas should take a certain course of action.

While not being mandatory, the opinions issued by the Inter-American Juridical Committee are highly authoritative from a moral point of view since this committee is one of the organs contemplated in the OAS charter and therefore, is the main consultative body for legal matters. The Inter-American Juridical Committee is moreover tasked with the development and codification of international law, as well as the promotion of the integration of the legal systems of all OAS member states.

Another central consideration pertains to the fact that the committee is an independent and autonomous body and therefore it discharges its duties with absolute independence from member states or other OAS organs.

Eleven members elected by the OAS General Assembly sit on the Inter-American Juridical Committee. These members represent all the member states as a whole rather than their respective countries. The committee's current make-up is as follows: Jose Siqueiros (from Mexico), Alberto Zelada (from Bolivia; a former consul to Chile) Olmedo Sanjur (from Panama), Mauricio Gutierrez (from El Salvador), Galo Leoro (current foreign minister of Ecuador), Miguel Angel Espeche (from Argentina), Joao Grandino Rodas (from Brazil), Jonathan Fried (from Canada), Keith Highet (from the United States), Luis Herrera (from Venezuela), and Eduardo Vio (from Chile). The latter was reelected last year.

The Inter-American Juridical Committee is the oldest organ of the OAS. Its predecessor was the Jurists Committee established in 1906.

The opinion the committee will issue on the legality of the Helms-Burton law, which was requested in the course of the recent OAS General Assembly held in Panama City last week, will not be the first time the committee has taken a stand on domestic legislation which affects third countries.

In 1993, the Inter-American Juridical Committee examined the case of Dr. Alvaro Marchain, who was abducted in Mexico by DEA officials and taken to the United States to face trial in a U.S. court.

The OAS, at the request of the presidents of Mercosur [Common Market of the South] member countries, turned to the Inter-American Juridical Committee for advice. The opinion the committee issued on this case condemned the attitude of the American officials. This opinion was taken to the OAS General Assembly, which was going to request a consultative opinion from the International Court of Justice when the U.S. court which was trying Marchain passed judgment in favor of the accused and Marchain was sent back to Mexico.

Vio is of the opinion that the judgment passed by the U.S. court clearly shows the moral muscle of the Inter-American Juridical Committee opinion.

In 1995, this committee issued a resolution on the principles and regulations that govern democracy in the Americas, which are invoked each time there are attempts to alter democracy in the hemisphere.

In what pertains to the Helms-Burton law, the committee may resolve that this law does not abide by international law, something which will exert pressure on the United States within the framework of the OAS and might prompt Washington to amend this legislation or limit the scope of its application.

Another possibility is that once the OAS receives the opinion handed down by the committee, the hemispheric organization may once again issue a resolution stating that from a political and legal standpoint, the Helms-Burton law violates international law.

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Cuba

Cuba: Taladrid Arrives in Bolivia, Criticizes U.S. Law

PA1206035796 Havana PRENSA LATINA in Spanish 1856 GMT 10 Jun 96

[FBIS Translated Text] La Paz, 10 Jun (PL) — On his arrival in Bolivia today for an official visit, Raul Taladrid, Cuban deputy minister for foreign investment and economic cooperation, said the U.S. Helms-Burton law will never be able to internationalize the blockade against Cuba. This is what Taladrid said when asked what harm the anti-Cuban law could inflict on the country.

He said the maximum, foreseeable effect the U.S. law could have on Cuba would be a change in the pace of the flow of foreign investments, because some foreign businessmen could delay their decisions or, generally speaking, be more cautious in view of the Helms-Burton law.

What we can say, the official said, is that this U.S. law will never secure its fundamental objective: The internationalization of the blockade against Cuba.

The Helms-Burton law will certainly cause the same harm Washington's aggressive policy has been causing for a long time, with threats and pressure to discourage possible investments in Cuba, Taladrid said.

This measure is not a new one; it is a climax of a policy that has been in effect for a long time, Taladrid told PRENSA LATINA.

On the internationalization of the anti-Cuban blockade, the Cuban official said 118 countries condemned the law at the UN General Assembly in a vote that left Washington isolated together with two other countries, one of which (Israel), paradoxically, has investments on the island.

Taladrid noted the universal rejection Washington's attempt to give extraterritorial effects to the U.S. law has encountered, with the United States being left alone in the face of the position of Latin America, the Caribbean, and Canada.

The Cuban official said: They reacted hysterically, with insults, arrogance, frustration. Taladrid mentioned the position assumed by the EU, Japan, Mexico, and Canada, the latter two the United States' NAFTA partners.

Taladrid recalled that Cuba the past few years received $2.1 billion dollars in foreign investments, through 230 associations. He said 50 percent of the cited amount has already been collected.

Taladrid said the arrival of foreign capital is only a complement of the Cuban economic recovery program, the fundamental tool of which is the efforts of the Cubans themselves.

The deputy minister arrived here today at the head of a large delegation to participate in the second meeting of the Mixed Bolivian-Cuban Commission, the objective of which is, he said, to expound a specific cooperation program to expand trade.

Taladrid said an advance group of the delegation arrived in La Paz in recent days to start an agreement of partial scope consisting of the mutual concession of customs advantages for a number of products.

Taladrid was received by Bolivian Foreign Ministry official Osvaldo Cuevas who said the mixed commission will reach fruitful agreements soon because of the agreements that have already been reached.

Cuba: Castro Appeals to Colombian Group for Gaviria's Life

PA1106223696 Havana PRENSA LATINA in Spanish 2101 GMT 11 Jun 96

[FBIS Translated Text] Havana, 11 Jun (PL) — Today, Cuban President Fidel Castro asked the abductors of Juan Carlos Gaviria, the brother of OAS Secretary General Cesar Gaviria, to respect his life and allow for a humane and honorable solution to the case.

In a statement made public here, the Cuban leader said that his petition reflects others made by different people, including relatives, "without any intention whatsoever of meddling in the country's (Colombia's) internal affairs." Castro added that he made this request for "strictly humanitarian reasons."

The text of the statement is the following:

Havana City

11 June 1996

"In response to the appeal made by different persons, including relatives, who have asked us to make a public statement in favor of Juan Carlos Gaviria's life, without any intention whatsoever of meddling in that country's internal affairs and for strictly humanitarian reasons, we urge the abductors of Juan Carlos Gaviria to spare his life; to refrain from doing anything that could endanger his physical security; and to establish contact with his family to find a humane and honorable solution."

Fidel Castro Ruz

President of Cuba's Council of State and Council of Ministers

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On 3 April, the self-styled group Dignity for Colombia abducted Juan Carlos Gaviria Trujillo, a 42-year-old engineer and businessman, as he was going to a country club located in the coffee town of Pereira, 175 km east of Santa Fe de Bogota.

Cuba: Alarcon Says U.S. Law Seeks To Destroy Nation

PA1106132296 Havana PRENSA LATINA in Spanish 2145 GMT 7 Jun 96

[FBIS Translated Text] Havana, 7 Jun (PL) — Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], said that the United States will never be able to carry out its dream of annexing the island, since, he said, Cubans of today and tomorrow will not allow it.

Alarcon's statement is included in the prologue of a pamphlet he edited with the content of the Helms-Burton law enacted by Washington to stiffen the economic and commercial blockade on the Antillean nation. ANPP deputies received copies of the pamphlet.

The objective of publishing the full text of the law, according to Alarcon, is "to know the annexionist plan, understand it deep down," something he described as a necessary weapon in the battle of the Cuban people against it, a battle "in which all of us will secure victory."

The ANPP leader recalled that despite having the most powerful and advanced technological instruments, the United States has never divulged the entire text of the law.

After noting that few people in the United States really know the different aspects of the document, Alarcon stressed that Cuba divulged all its details when it was merely an aggressive congressional bill.

We are witnessing a clear example of what freedoms of information and expression mean under capitalism and how these two concepts are efficiently manipulated to misinform and confuse, he added.

The matter, he noted, thus remains under the control of those who monopolize the large news media and can easily distort what nobody knows in order to use it as it suits them.

Alarcon explained that in Cuba, the law was discussed in factories, farms, schools, and even in the streets as a way to help all the people understand it.

He went on to describe how the main aspects of the law are to force the entire world join the blockade, as well as the precise implementation of the plan aimed at liquidating the Cuban nation.

According to Alarcon's prologue, destroying the revolution and annihilating revolutionaries would not suffice, since it wants to punish all Cubans of today and all future generations.

"The world will not meekly yield to the imperial arrogance nor will Cubans let anyone enslave them," the ANPP president concluded.

Cuba: Castro's Comments on Helms-Burton Law Reported

PA0806164496 Mexico City NOTIMEX in Spanish 0149 GMT 8 Jun 96

[FBIS Translated Text] Havana, 7 Jun (NOTIMEX) — Cuban President Fidel Castro today told Mexican politicians visiting the island that the OAS's rejection of the Helms-Burton law shows a high level of awareness regarding the defense of national autonomy.

Politicians of the opposition Labor Party (PT) affirmed that in a meeting in Havana, Castro told them that the condemnation of the Helms-Burton law is evidence of the nations' "high-level and well-developed perception of the defense of national autonomy."

According to Alberto Anaya, Gonzalo Yanez, and Jose Narro, and other leaders of the PT — the fourth most important political force in Mexico — who met for two hours with the Cuban president, Castro said that the Helms-Burton law is a "boomerang" for the United States.

Yanez said that during the meeting held in a Cuban government building, Castro was asked if he had fixed a date for his forthcoming visit to Mexico and that Castro replied: "Soon."

Mexican President Ernesto Zedillo invited Castro to visit Mexico. However, the trip, initially scheduled for the first semester 1996, was postponed indefinitely.

Yanez said that the PT leaders referred to the possible effects of the U.S. Helms-Burton law, which strengthens the embargo against Cuba, and Castro said that all of his government's agreements with foreign companies were still in effect.

However, according to the Mexican politicians, who ended their visit to Cuba on Friday, Castro said, without giving further details, that there "had been some incidents" regarding foreign investments in Cuba.

The Mexican visitors were also invited to have supper on Friday night with the Cuban leader.

The visiting Mexican leaders said they explained to Castro that the PT was "a young, developing political party," and that the Cuban leader expressed appreciation

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for their visit, especially because it occurred after the strengthening of U.S. policy against the island.

The PT politicians also met in Havana with Ricardo Alarcon, president of the National Assembly of the People's Government, Foreign Relations Minister Roberto Robaina, and Jose Ramon Balaguer, chief of the Central Committee's International Relations Department of the Communist Party of Cuba.

Cuba: Commentary on General Rejection of Helms-Burton Law

PA1106151896 Havana Radio Rebelde Network in Spanish 1155 GMT 10 Jun 96

[Marina Menendez Quintero and Eduardo Dimas commentary; from the "Doing Radio" newscast]

[FBIS Translated Text] [Reporter Felix Fernando Garrido] Once more, we will reflect together on the Helms-Burton law. Marina Menendez Quintero is in the international news room:

[Menendez Quintero] Thank you, Garrido. Greetings to you, to Eduardo Dimas, and of course to our "Doing Radio" listeners. In our previous conversation, with the participation of colleague Guillermo Morales at the satellite room, he reported that the television coverage on the Helms-Burton law has been very broad. Of course, I believe the rejection of different governments and economic organizations of the world to this legislation has been overwhelming. I consider that the [words indistinct] was of course the resolution approved by the OAS last week. As you know, the OAS established that a juridical committee determine if the Helms-Burton law is illegal or not.

I believe, as many analysts have stated, that this has been really a tremendous defeat for the United States. This is particularly true because knowing beforehand the condemnation issued by the European Union, developed countries, their allies — those countries that may unleash a commercial war against Washington... [pauses] The fact that poor countries, those who have always been dominated by the United States, have rebelled against U.S. authority cannot be ignored.

For some people, times have changed at the OAS. I believe that this is evidence of this change, but I consider that we must see the extent of change. I don't think we can say that the OAS has come out from under Washington's rule.

I believe that, except for the cases, both in America, Europe, and the rest of the world, in which the rejection to the Helms-Burton law was a show of support for Cuba, I believe the exercise of sovereignty of those countries is prevailing, together with their commercial interests. Also in the case of the OAS, the defense of free trade is prevailing. This is precisely one of Washington's basic principles in its security plan for the region, which has been accepted by the organization up to now. This and other basic principles, such as, quote, representative democracy, unquote, have been accepted by the OAS.

[Dimas] Marina, I believe it is still too early to speak of an independent OAS.

[Menendez Quintero] Of course.

[Dimas] I have here in my hands the statements by Harriet Babbitt, U.S. envoy to the OAS, who considered the vote to be an act of diplomatic cowardice and an intervention in the internal affairs — believe it or not — of the United States. In other words, a moment ago I talked about the mentality behind all this.

[Menendez Quintero] Of course.

[Dimas] And I believe that for many government officials in the United States — not only this woman — among the internal affairs of that country is the right to dictate to the rest of the world with whom they can trade, with whom they can maintain relations.

[Menendez Quintero] This is the ideological backdrop behind the Helms-Burton law.

[Dimas] Exactly. The extreme right.

[Menendez Quintero] Of course.

[Dimas] And I believe that a mentality like this in the main economic and military power of the world is very dangerous. This reveals they feel they are entitled to intervene in the internal affairs of all states.

Now, if we see the changes that have taken place in the world, particularly after the Gulf War, if we see the new international order, the attempt to introduce a new international order, to change the principles that have governed international relations in the world — such as the principle of noninterference in the internal affairs of state, the principle of sovereignty which they now want to call limited sovereignty — if we see all the phenomena that have taken place — the invasion of Somalia, the invasion of Haiti for allegedly restoring democracy... [pauses] In other words, examples that were not going to disturb anyone, but that create a precedent have been used.

[Menendez Quintero] Of course.

[Dimas] All this shows why the Helms-Burton law emerged now and not before.

[Menendez Quintero] Yes. I believe Dimas that, to a large extent, the world is realizing this and, as a

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result, rejection of this legislation is so generalized and so universal. Like we said before, today it is the Helms-Burton law against Cuba. The U.S. Congress is analyzing a similar bill against Iran, which could include Libya, but tomorrow this legislation could include any country.

[Dimas] That is the problem. We are facing a new world situation in which the Helms-Burton law is not just another example, to put it in mildly. The situation that is taking place is very complicated. It is complicated how the United States, although there are other countries that use similar policies, may take the world down a dead-end street.

[Menendez Quintero] I agree with you. I believe that more than an example the Helms-Burton law is the best expression of this hegemonistic policy. Dimas, I also believe they have gone too far because that authority is being severely questioned at this time. I still think we have yet to see the attempts by the European Union, Canada, which today discusses it with Mexico when President Zedillo visits, to present this matter before international courts.

Some U.S. jurists and analysts have said this is possible because the law contains extraterritoriality provisions and violates international principles.

[Dimas] Okay, Marina. We must conclude here. We must now wait and see what happens. In any case, I don't believe the world is ready to accept that law, so it will reject it.

[Menendez Quintero] Of course.

[Garrido] We thank Marina and Dimas for this commentary on the negative repercussions of the Helms-Burton law on the world.

Cuba: 'Straight Talk' on OAS Rejection of U.S. Law

PA1106154596 Havana Radio Rebelde Network in Spanish 1730 GMT 10 Jun 96

["Straight Talk" program with reporter Eddie Jimenez and program host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] America's rejection of the slavery law. That is the topic brought to us by reporter Eddie Jimenez. Eddie, even though the OAS' rejection of the Helms-Burton law was last week's news, I believe we can still hear the echo of this rejection, because I really believe this is the first time that America as a whole is rejecting a decision by the United States, even in the presence of the Yankee representatives.

[Jimenez] I believe, Osvaldo, that we should call this segment: Even the OAS. As you said, this is the first time that the hemisphere, Latin America or America, in an overall sense, is acting against the United States as a bloc. There are precedents but not as a bloc. During the Somoza dictatorship, the OAS also voted against the U.S. position, but there were those who supported it. In this case, however, America as a whole, has united to reject a U.S. measure. This is important because you know that the OAS has always been described as the colonial agency of the United States. This shows the kind of rejection, which this U.S. law has caused in such a short period of time.

[Rodriguez] The interesting thing about it, Eddie, is that the Helms-Burton law was not on the agenda.

[Jimenez] It was not on the agenda, but the OAS members voted to get the OAS Inter-American Juridical Commission to examine this law. They raised their hands in favor of the motion right there in front of the U.S. delegation. By the way, the U.S. representative to the OAS was not very diplomatic when she said there was political cowardice among the other ambassadors. On the contrary, the other ambassadors showed political bravery when they raised their hands to vote against the United States in front of its delegation.

[Rodriguez] Let us admit that the U.S. representative made a mistake, let us say it was a slip of the tongue. She actually said political cowardice when she really meant political bravery.

[Jimenez] She was simply very arrogant, because if you look at it carefully, they were not totally condemning the United States. They were simply asking for the case to be examined by this juridical commmission so that it could hand down its ruling. The United States was not even being condemned. The thing is that her arrogance was such that she even tried to attack her colleagues. You could clearly see how they show a total disregard for Latin America.

[Rodriguez] Eddie, the OAS countries have gone from words to action because this morning I heard the news report that Mexican President Ernesto Zedillo was already in Canada, where he was going to talk to his Canadian counterpart about the Helms-Burton law and how it adversely affects the North American Free Trade Agreement. Some news dispatches, quoting Mexican official sources, said they are thinking about bringing the matter before the World Trade Organization. I believe it can be called an action.

[Jimenez] We are certainly going to see that later on. This victory, as such, has a greater repercussion. We are not only talking about Latin America here. The United States is already isolated in the entire hemisphere. The United States is already isolated in the entire world.

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[Rodriguez] We are talking about America's rejection of the slavery law, as the Helms-Burton law has been called. Eddie Jimenez has the word.

[Jimenez] Osvaldo, our listeners should clearly remember that the topic of the Helms-Burton law has been discussed here many times before. We talked about this law in practically five programs that were broadcast here once a week. What I did not predict — and I must admit it, because I think very few colleagues were able to predict it — was that the Helms-Burton law could create such a universal rejection. We predicted that the Helms-Burton law would fail. We predicted it. We even said that very few foreign investors in Cuba would leave. Time has proven us right. Not a single investor has left Cuba. Our foreign investment and economic cooperation minister said it recently. He said it last week.

[Rodriguez] It is something everyone expected. People have been talking about the law for a long time now, and those who have invested in Cuba knew from the beginning about the risks of investing in Cuba, and they have taken them, so to speak. A new law can, therefore, not scare them, since we have had the Torricelli law and the economic blockade since 1960.

[Jimenez] Going back to the topic I was talking about, what we were unable to predict was the time it would take for the law to be rejected. How long has it taken for the law to be rejected? Two short months. The entire world has condemned it. The United States is not only isolated in the hemisphere, not only in the entire world, but in its old colonial agency. Look how far they have come. The United States has managed to create a common front against its policy. The Clinton administration has managed to create a global front against its foreign policy. That is the biggest political mistake committed by the Clinton administration.

[Rodriguez] A colleague of ours, who listens to shortwave radio every night, says it is incredible how shortwave radio has begun talking about this topic. There is a favorable position for Cuba regarding the Helms-Burton law. Important radio stations are rejecting the United States. In addition to their rejection — because of the interest each country has in this matter — they are also supporting Cuba in this regard. I think this is very good, because I believe the United States has been able to achieve just the opposite of what it intended. The U.S. intention was to isolate us, but they have united us with the rest of the world.

[Jimenez] Our foreign minister was asked recently why Cuba was maintaining a relative silence with regard to this law even though the world was furiously protesting. He said something very interesting. He said we have been suffering from this for more than 35 years. Now the world is feeling what Cuba has been feeling for the past 35 years. The United States is trying to block the world. That is why the world is now protesting.

[Rodriguez] Cuba has been blocked since 1960.

[Jimenez] We are not caught by surprise. It is the world that is protesting for them and for us. That is why I was telling you that the United States has managed to block itself. It is something that is truly funny.

[Rodriguez] Some countries are trying to convince the U.S. Government to take a step backward in this regard. What is your prediction?

[Jimenez] They keep saying they are not going to take a step backward. I can tell you, however, that the law will fail to the extent that the countries that are protesting are taking measures against the U.S. policy, against the Helms-Burton law. We are going to see that in the case of Mexico, in the case of Canada. As you said a few minutes ago, Mexico and Canada are going to react to this law. The same will happen with the EU.

[Rodriguez] Even close allies of the United States, such as the United Kingdom.

[Jimenez] That will make the law fail. The first step has already been taken. There is a world rejection of the law. It is a world rejection in a very short time, which even we were unable to predict.

[Rodriguez] Eddie, I suggest we go back to the main issue, because we have been talking about other related topics. What actions do you think America will take to prevent itself from being blocked by the United States? We already talked about the case of Mexico and Canada.

[Jimenez] These are the two ailing countries in this case. We are talking about Mexico and Canada. You said that Zedillo was already in Canada to meet with Canadian authorities and to reach common agreements on the Helms-Burton law. Zedillo is now going to Canada with something in his hand. There is already talk about a bill that is almost fully drafted to block the effects of the Helms-Burton law in Mexico. The bill will prohibit the application of the Helms-Burton law in Mexican territory. They are going to deny the United States all information about the commercial dealings of Mexican companies. This is a serious blow. Remember the NAFTA. Could you imagine the implementation of a law in Mexico to deny economic information to the United States?

[Rodriguez] Could the NAFTA be broken because of this?

[Jimenez] There are two partners at odds with the third one in this agreement. The bill also includes sanctions

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for companies installed in the country that heed these kinds of provisions by the United States.

[Rodriguez] The companies will be facing a dilemma here. On the one hand, the United States will penalize them if they do this, and on the other hand, the Mexicans will penalize them if they do the other.

[Jimenez] The bill includes the possibility that Mexican companies could file lawsuits against U.S. companies in Mexican courts. The same thing the United States would do against Mexican companies investing or trading in Cuba.

[Rodriguez] Is this feasible?

[Jimenez] It is possible if they reach an agreement with Canada. That is where Zedillo is right now. I would add one thing. It is feasible, but I can tell you this: The law will be defeated as the the countries begin taking measures against the United States.

[Rodriguez] Of course.

[Jimenez] That is going to destroy the Helms-Burton law. There is an interesting phenomenon here. The United States is talking about free trade. They are talking about the expansion of the NAFTA and of a possible new associate, Chile; however, they are imposing policies on the new associates. All the talk about free trade and globalization collapses with this U.S. policy. That is precisely why our America, in an overall sense, is against this law and has shown the courage in voting against it.

[Rodriguez] We have a minute left. We all know that in August, the president must sign the immediate application of the Helms-Burton law. What is your prediction? Will he sign it or will he postpone the signing?

[Jimenez] Clinton is now at a tremendous crossroads. If he does not sign it, the extreme right-wing forces in the United States will accuse him of being weak. The logical thing for him to do is to postpone it. That is my prediction, because he already has many problems with his allies, and this has been the worst defeat for U.S. diplomacy, not only for the Clinton administration. I would tell you that in the last 20 or 30 years, the U.S. administration has not suffered a defeat like this. It has been a defeat in its own hemisphere, in its own continent, where they were the masters and where they had a colonial agency that is no longer working for them. If Clinton is smart, he would postpone its application.

[Rodriguez] We hope this defeat in his own territory will help him reflect on the application of the law. We thank Eddie Jimenez for talking about America's rejection of the slavery law.

Cuba: Robaina Meets DPRK Supreme Assembly Chairman

PA0806183196 Havana PRENSA LATINA in Spanish 2214 GMT 7 Jun 96

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina today welcomed Yang Hyong Sop, chairman of the DPRK Supreme People's Assembly, who is on official visit to Cuba.

Minister Robaina and the Korean parliamentary leader exchanged thoughts on the development of bilateral relations between the two countries and also analyzed some aspects of the international scene.

Afterward, the Korean mission met with Foreign Trade Minister Ricardo Cabrisas and Jose Ramon Balaguer, chief of the Communist Party of Cuba's Department of International Relations.

In other activities for the day, Yang Hyong Sop and the delegation that accompanied him visited the memorial to "Jose Marti," located in the capital's Plaza de la Revolucion, where they learned in detail about the life of this illustrious Cuban.

The DPRK delegation will dedicate tomorrow to visiting tourist centers in the Province of Matanzas, and especially, the seaside resort town of Varadero, located 130 km east of Havana.

Cuba: Cuba, Mexico To Hold 1st Interparliamentarian Meeting

PA1206010296 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 11 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] It was agreed today at the National Assembly of the People's Government [ANPP] to hold the first Cuba-Mexico Interparliamentarian Meeting in the first half of August. The agenda will consist of 13 points, including migration, joint actions at international organizations, the Helms-Burton law, Latin American integration processes, the struggle against drug trafficking, and cooperation.

Jorge Lezcano, president of the ANPP's International Relations Committee, and Deputy Julio Espinosa have signed the agreement for Cuba. Senator Jose Angel Conchello Davila and Deputy Augusto Gomez Villanueva and others have signed for Mexico.

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Cuba: Minint Celebrates 35th Anniversary of Founding

PA0806032896 Havana Radio Rebelde Network in Spanish 1700 GMT 5 Jun 96

[Report by Carlos Sanabria Marrero; from the "National Radio News" newscast]

[FBIS Translated Text] FAR [Revolutionary Armed Forces] Minister Raul Castro and Minint [Ministry of the Interior] Minister Corps General Abelardo Colome Ibarra sent a congratulatory message to combatants of that command in Santiago de Cuba on the 35th anniversary of the founding of the Minint. Here with more details is reporter Carlos Sanabria Marero:

[Begin recording] [Sanabria Marrero] Division General Humberto Torres Arista, Minint delegate to Santiago de Cuba Province, expressed confidence that the revolution and its achievements are safe due to the dedication and vigilance of Minint's combatants on the 35th anniversary of this armed institution at a ceremony held in the Heredia Convention Center.

[Torres] It would be helpful if the weak-legged, the undecided, the hypocrities and, even more the, quote, liberators, unquote, in lycra and fancy clothes would look at the environment that existed when the Minint was born. If they did, they would begin by looking into this room and asking themselves whether these people, in uniform or not, can be intimidated by the Helms-Burton law, the Toricelli law, small human rights groups, and the entire lot of worms together.

[Sanabria Marrero] Juan Carlos Robinson, first secretary of the Communist Party of Cuba in Santiago de Cuba Province, emphasized during the ceremony the pacesetting labor of the Minint to ensure that this province will be allowed to host the 45th anniversary of the Attack on Moncada celebration. [end recording]

Cuba: Castro on Minint Efforts for National Security

PA0906021396 Havana Radio Rebelde Network in Spanish 1700 GMT 8 Jun 96

[From the "National Radio News" newscast]

[FBIS Translated Text] Fidel Castro has acknowledged the efforts that Minint [Ministry of the Interior] fighters have made to keep citizens calm and the country safe. Castro presided over a working meeting marking the 35th anniversary of the Minint foundation that was held on 6 June at the Universal Room in the FAR [Revolutionary Armed Forces] headquarters.

A large delegation of chiefs and officials from the various Minint bodies attended the meeting, as well as state party leaders and FAR chiefs. The meeting, which lasted more than three hours, started with a minute of silence to honor the fatherland's heroes and martyrs.

During his speech, Fidel discussed essential issues on the country's economic situation, the international repudiation of the Helms-Burton law, and other world problems. In addition, he referred to the Minint challenges and stressed the government's irrevocable resolve to prevent, by all means, Cuba from becoming a drug transit or consumption center due to the country's economic opening, tourist development, and the broadening of international relations.

The commander in chief acknowledged the Minint fighters' efforts to keep citizens calm and the country safe in the midst of a complex situation stemming from the special period.

It was an emotional, brotherly, and very interesting act for the approximately 1,000 high-ranking Minint chiefs and officials meeting at the FAR Universal Room.

Cuba: 'Straight Talk' on Systematic Actions

PA0806154396 Havana Radio Rebelde Network in Spanish 1730 GMT 3 Jun 96

["Straight Talk" program with GRANMA reporter Vladia Rubio and program host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] Today, we will discuss the failure to implement systematic actions with Vladia Rubio. Vladia, we have been following this topic here in "Straight Talk," because from different angles, other comrades have also broached this topic, which the people have summed up with the following popular saying: A new broom sweeps clean. So, tell us about this topic.

[Rubio] The fact that we are following up on this topic is a glaring indication that this topic has not been resolved. I still believe that we begin our endeavors with much enthusiasm, but later, after they have been set in motion, we begin to lose interest and the sense of purpose.

[Rodriguez] Allow me to interrupt you. You have just said that the fact that we are following up on this topic implies that it has not been resolved. Can we say then that we tend to be fatalistic?

[Rubio] I do not think so. I can see you are approaching this discussion quite aggressively from the get-go.

[Rodriguez] [chuckles].

[Rubio] I do not believe we are being fatalistic. There are many other factors that cause this phenomenon, which I believe is very detrimental vis-a-vis views and attitudes. I believe we should begin by assessing the

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reasons behind this attitude, which I believe are not the direct result of our people's nature. First of all, I believe that these undertakings, which begin well, but do not have a successful end and which we all have witnessed and have been involved in, in one way or another, [words indistinct] are rather caused by an attitude of doing things to get them out of the way. I insist: This attitude has nothing to do with the nature of Cubans, but rather with unfortunate traditions, conducts and habits that we have instilled and nourished ourselves along this difficult path of building a different society. This attitude of doing things for the sake of doing them in order to fulfill our commitments to commemorate anniversaries and plans has been one of the reasons why things are done hastily. When projects are inaugurated, things look wonderful with all the flags and all the fanfare, but after two or three months, they are useless. However, there is an underlying factor....

[Rodriguez, interrupting] But are you only referring to something that has been inaugurated?

[Rubio] Yes. I am referring to things that have been inaugurated, but not only to those things that are inaugurated with a lot of fanfare, but also to smaller projects, which begin to provide a service, but collapse suddenly later on. There is, however, another reason for all these things that are done for the sake of fulfilling a commitment. People are not truly involved in these endeavors. When people are not personally committed with what they are doing, a commitment that involves an interest in knowing their purpose and when they do not put their hearts and minds in the task they are undertaking, these efforts do not go anywhere. This is why everything remains in the formal stage, the stage of simply fulfilling a commitment.

[Rodriguez] I have been listening to you and I agree with part of what you have said and disagree with others. I am thinking about a very recent experience in our country. Our sugar industry has experienced a certain decline, from which it is, fortunately, recovering vigorously. This decline has not only been the result of our economic hardships, but also of the lack of interest of the people and a lack of systematic actions. I was thinking that the sugar industry, which involves a large number of our people could be, along with other cases, the best example for us to discuss in this program, because it is not a task that becomes useless after it has been initiated. The sugar industry has been operating for 400 years, and despite 400 years, we are still experiencing difficulties and problems regarding what we are used to doing every year: what should be done; what we all know should be done; and how it should be done.

[Rubio] This is where my view fits right in: People must be truly involved in the efforts being undertaken. The concept we have brandished throughout so many years, that the collective work actually belongs to everyone, must be put into practice and it must be put into practice via a true commitment on our part with all the works we undertake. I would like to explore a problem with you more thoroughly. This problem is that we do not seem to be able to realize the concept that we have made public, debated, and raised throughout so many years — a concept that I do not know whether to call social property, common, or collective work. It seems to me that we are never able to crystallize this concept at the individual level. We have been able to materialize it at the institutional level; it has been consolidated and institutionalized.

We have proclaimed, debated and enunciated it; however, I believe that at the individual level, people have not assimilated this concept completely. Why? I believe that to some extent, this problem has other causes. Osvaldo, I do not know what your opinion on this is, I would like to hear it. Not always do the actual players, the people, those of us engaged in doing something have a say. Sometimes, we only comply with and fulfill our obligations and duties, but our attitude is not creative enough and there is not enough room for us to express our constructive criticism regarding the effort being undertaken. Thus, we remain rather in the role of executors, as opposed to that of creators.

[Rodriguez] You spoke of individuality and I believe that individuality plays a pivotal role in all processes throughout the world, in every society. However, in this case, the leaders, the persons who plan and lead the projects, have more responsibility than anyone else, because it is they, the leaders, who change the switch, speaking in railroad jargon, and at one point, they have the masses working on one aspect and suddenly, they decide to assign them to another area.

[Rubio] What you are telling me reminds of a herd.

[Rodriguez] Why?

[Rubio] Someone is giving the instructions, the orders, while the masses follow them. However, I do not believe this is the case.

[Rodriguez] So what do you think?

[Rubio] I believe the situation is what we have stated so many times: We are a true democracy and a democracy implies that the masses, the executors, also have a say. Regardless of the fact that the leaders have a responsibility, because their mission is to lead, we, as the executors, are not going to comply blindly. This is just what I was arguing: Sometimes, because of our

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own nature, because of apathy, timidity, conformism or simply because we love our comfort, we lack a real commitment toward the projects we are undertaking and we do things only to fulfill our commitments. This is why in the end, projects are flawed from the beginning, because our heart is not in it and after three months, they are useless.

[Rodriguez] This is true, but the leaders of this group that builds these flawed projects still have a great responsibility. The leaders are responsible for the results.

[Rubio] Certainly. They are responsible for flawed projects or for projects that are flawed from their very beginning.

[Rodriguez] They are responsible for letting those projects be launched improperly or for allowing them to become flawed along the way. I believe the role of the cadre must be valued highly, because as the Che [Che Guevara] contended, the cadre is the backbone of any society, that is, the leadership cadre. The problem is that the person who heads a group, which you referred to as a herd....

[Rubio, interrupting] No, I did not describe the group as a herd. I was trying to correct you because I thought you were giving too simplistic version of the matter.

[Rodriguez] It may be simplistic, but think about an administrator, the director of an enterprise who meets with his leadership team to outline a strategy, a policy and immediately issue the policy....

[Rubio, interrupting] There is the first mistake. As long as that strategy, that policy is issued, it will not work properly, because that strategy, that policy is outlined at a leadership level. That strategy must be shared, approved, and debated by those who will execute it.

[Rodriguez] I believe this last point you broached, namely, that consciousness must be raised among those who are going to execute a policy and that its aspects should be discussed with them is very positive, but the leadership team must also adopt decisions.

[Rubio] There is no doubt about that.

[Rodriguez] Sometimes, those decisions are designed to change the strategy all of a sudden because of problems linked to the business strategy, the local situation, the circumstances of a large community or a small one. One must also understand that there are circumstances in which decisions must be made and a consensus with the executors is not feasible.

[Rubrio] A consensus might not always be possible, but these situations should be a handful.

[Rodriguez] I agree.

[Rubrio] I believe that is the key to many of the problems we see and I believe some of the solutions should be implemented along this path. You fell in the trap yourself a few minutes ago when you were saying that the policies had to be discussed and approved. That is not all, these policies and decisions must be adopted with everyone's consensus. It is true that the leader of the cadre is aware of factors and reasons that the masses are not aware of, but the key to this problem is to make them aware of these reasons so that all can decide on a strategy. Insofar as the strategy is approved by all and everyone believes it is a just one, things will work out, not because of campaigns or plans, but because of a commitment to comply with a plan. This is why, and I am going to use hypothetical examples: A restaurant was opened and we aired a report about this on television and in that same report — I saw it myself — the passerby who is interviewed says: This is very nice and all, but let's see how long it lasts.

[Rodriguez] To some extent, this is due to a general pessimism among the population.

[Rubrio] But this pessimism is justifiable.

[Rodriguez] Yes. Perhaps, we should devote an entire program to discussing this climate of pessimism. What do you think about the foreign currency stores? They began so well and they used to provide such a good service. Everything was wonderful, but many of them have already become second-rate coffee shops like the old ones. And what about the fast-food restaurants, which are anything but. This problem, the failure to follow systematic actions, affects even the emerging sector, which has other incentives.

[Rubrio] You are right. However, in general, instead of discussing particular cases, we should reach a general conclusion in this program. We must find a solution so that new brooms are not the only ones that sweep clean. I believe the solution to this is to get people to become truly involved, put their hearts and minds into projects. As we said earlier, regarding policies and strategies that are outlined, the executors should not only be people who approve and comply with plans, but people who design, assist and contribute their criteria.

[Rodriguez] Undoubtedly, we must strive for implementing systematic actions and incorporate this into our nature and our everyday lives.

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Cuba: Minister Calls For Giving Incentives to Police

PA1106171596 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 6 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] Division General Ulises Rosales del Toro, deputy minister of the Revolutionary Armed Forces [FAR], headed the homage rendered by the FAR to the Interior Ministry.

Interior Minister Army Corp General Abelardo Colome Ibarra referred to the role of the Interior Ministry over these past years and in particular to the role of the National Revolutionary Police [PNR].

[Begin Colome recording] When linked to the reality that our people have experienced since 1959, in other words, the intermingling of people and Armed Forces bodies, reveals to us why they cannot crush us, why they cannot defeat us, why it is not possible to set a bomb here with impunity. We have to lift the PNR to a level of efficiency as high as the one it had a during a certain time of [words indistinct]. This does not mean that it is not playing that role any more; it is still doing so, but we have created a very strong security apparatus. We have to raise the PNR, and our media must help in this, to a certain level. We must give the PNR certain incentives, not necessarily material, so that they feel that the population recognizes its efforts. [end recording]

Cuba: Rosales del Toro Praises Interior Ministry Members

PA1106181996 Havana Cubavision Network in Spanish 0000 GMT 7 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] The 35th anniversary of the Interior Ministry [Minint] was observed all over the nation today. Guaranteeing the fatherland's safety and social peace has been a constant goal of the combatants of this body of the Armed Forces.

Division General Ulises Rosales del Toro, deputy minister of the Revolutionary Armed Forces, praised all the members of the Minint for their dedication to the defense of our revolution.

[Begin Rosales recording] The peace, independence, and sovereignty we enjoy are closely tied to the myriad of efforts that the Minint has been undetaking in the past 35 years.

I believe that for a revolution such as ours, which has been challenged right from the day of its victory by that imperialism that has not given us a single moment of respite, it is vital to have organizations such as the ones the Minint has always had, alert and ready to defend its people, ready to fulfill the duties that the Revolution needs. [end recording]

Cuba: Western Army Holds Exercise on City Defense

PA1106182096 Havana Cubavision Network in Spanish 0000 GMT 7 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] The Revolutionary Armed Forces' 10th general tactics meeting and bilateral theoretical exercises concluded today in the Western Army region. Their goal was to study the defense of the city and its points of entry.

[Begin first unidentified speaker recording] Urban combat constitutes one of the most complex operations that we will have to carry out in case of war. [end recording]

Small territorial troops militia units and production and defense brigades are putting their knowledge to the test. Initiatives and joint efforts are being tested to improve city defenses in case of enemy attack. The idea is not to cling to one plan.

[Begin recording] [Second unidentified speaker] To prepare an entire city is difficult. Yet, we must begin this process during peacetime. Second, the troops must also be trained.

[Third unidentified speaker] How do we deal with a siege, blockade? How is penetration accomplished? How do we conduct combat operations from within? How do we destroy the main targets, and how do we carry out clean-up operations in parts of the city. [end recording]

Cuba: UNICEF Official on Supplies of Potable Water

PA1206010196 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 10 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] More than 350 communities in the country will have a steady supply of potable water thanks to the reactivation of the water and sewage service and UNICEF's cooperation, which has exceeded $1.5 million this year.

After inaugurating the Firmeza water aqueduct in the Baconao area, Dr. Luis Unega Zarate, UNICEF representative in Cuba, said:

[Begin recording] [Unega Zarate] About 350 rural and city outskirts aqueducts will be completed throughout

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the country this year. The people of Santiago de Cuba will complete about 36 aqueducts this year.

[Unidentified reporter] Also with UNICEF's cooperation?

[Unega Zarate] Of course. Actually, we act as an endorser only. The state contributes all creativity and effort. The families you see here now already have worked in the construction of this aqueduct; all we do is contribute financial resources and technology.

[Reporter] What is this year's budget?

[Unega Zarate] Together with the aqueduct and hydraulic resources directorates, this year we will apply a little more than $1.5 million to rural aqueducts specifically; this amount is not a huge one, but I would say it is reasonable to deal with urgent situations. [end recording]

Cuba: CTC Calls For Lower Government Energy Consumption

PA1106154396 Havana PRENSA LATINA in Spanish 1346 GMT 10 Jun 96

[FBIS Translated Text] Havana, 10 Jun (PL) — The Cuban Workers Federation (CTC) today called for lowering energy consumption in the government sector, a consumption that has increased markedly just as the country is devoting nearly half of its imports to buy oil.

According to CTC, if the country continues to increase production at the expense of large amounts of fuel, electric energy, and water, the country would be working just to buy oil, a situation that the CTC described as not too bright for the future.

In the first quarter of 1996 alone, when the country's economy experienced a 7-percent growth after five years of severe crisis, the consumption of the energy resources still in short supply increased at nearly the same rate.

In a TRABAJADORES editorial titled "An Undesirable Trend," the CTC urged its members to counteract the waste of energy and encourage conservation and the establishment of technically sound consumption standards.

The article says that the absence of true expense control encourages illegality, corruption, black marketeering, and the indiscriminate, unproductive, and sometimes careless use of government cars and trucks.

TRABAJADORES gives positive examples of enterprises and agricultural cooperative units where energy resources are used intelligently and even utilized in other activities that contribute to the economy and for which there are no supplies available.

According to the publication, the CTC, in its current talks with the administration to draft a national economic plan for next year, should include a strategy that favors a positive and better relationship between energy consumption and the value of production or of services.

Cuba: Minister on 'Practical Approach' to Health System

PA1206005996 Havana PRENSA LATINA in Spanish 1611 GMT 10 Jun 96

[FBIS Translated Text] Havana, 10 Jun (PL) — Health Minister Carlos Dotres has affirmed here that the Cuban state will give a more practical approach to the health care system, thus making it more efficient in increasing the people's level of satisfaction.

In statements to the weekly TRABAJADORES, the health minister has said the excellent levels of various aspects of the Cuban health system that have deteriorated somewhat during the last few years are expected to be restored with the concentration of resources and efforts in five essential strategies and four priority programs.

According to the minister, the distribution of medicines, which the economic shortages of the last five years also have adversely affected, also must be more efficient.

In listing the strategies proposed, Dotres has noted the relevant role assigned to Cuba's attention to health, the maintenance of vanguard technology at hospitals, and the attention to physically and mentally handicapped people. He added that maintaining the excellent infant mortality rates Cuba has achieved and the priority attention given to the hygienic-epidemiologic situation and nontransmissible diseases are among the proposed medical programs.

Since 1989, the monetary resources the island has allocated to the health sector were reduced as a result of the economic crisis triggered by the loss of trading partners in the aftermath of the fall of socialism in Europe and the intensifying of the U.S. blockade.

This is how, the minister recalled, this figure has not exceeded, as an average, $80 million in the last five years from $277 million allocated to this sector in 1989.

Cuba: 7,000 Prostitutes Expelled From Varadero Beach

PA1106160196 Havana PRENSA LATINA in Spanish 1749 GMT 9 Jun 96

[FBIS Translated Text] Havana, 9 Jun (PL) — More than 7,000 prostitutes have been expelled since last year from Varadero beach, Cuba's main tourist center, where

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they left a degrading trail of vice and crimes, the press reported here today.

The prostitutes came mostly from the eastern Cuban provinces of Las Tunas and Camaguey, Villa Clara and Ciego de Avila, in central Cuba, and the western provinces of Matanzas and Ciudad de la Habana.

After being held 72 hours at the Boca de Camarioca police unit in Varadero, located more than 130 km east of this capital, and after the local authorities evaluated each case, the prostitutes were returned to their home provinces.

Prevention commissions, formed by representatives of political and mass organizations and the Interior Ministry as well as social workers, psychologists, and doctors, will be in charge of the prostitutes' reincorporation into the normal life of their communities.

A report of the JUVENTUD REBELDE weekly indicated that the Varadero police adopted measures against the owners of approximately 400 houses rented to people who practiced prostitution or committed crimes associated with this vice.

Under the headline, "The Chain Was Broken in Varadero," JUVENTUD REBELDE announced the dismantling of a network involved in filming pornographic videos. It was formed by nearly 20 citizens, including one foreigner.

It also reported the confiscation of vehicles and warnings issued by the police to some 2,000 drivers involved in the prostitution business.

According to the weekly, the crime rates in the tourism sector shot up in 1995, most of them directly or indirectly involving male or female prostitutes. However, this trend has begun to be turned back.

Last week, Attorney General Juan Escalon Reguera described as scandalous the moral degradation that had prevailed on Matanzas beach, famous worldwide for its natural beauty.

In remarks to JUVENTUD REBELDE, Escalona Reguera mentioned upcoming changes to the penal code to eliminate prostitution, as well as the inclusion of the crime of forced prostitution, punishment for pimping, and the toughening of the punishment for corruption of minors.

Cuba: Roundup of Economic Developments Through 11 Jun

PA1206003096

[FBIS Report] The following is a compilation of reports on economic developments in Cuba monitored through 11 June.

According to a 5 June, Havana-datelined report, Cuba was able to increase its foreign trade to $3.943 billion during 1995, 20.5 percent more than during 1994, but a trade specialist from the Center for Cuban Economic Studies forecast recently that the country's trade deficit will increase by 5 percent and should surpass $800 million despite improved trade. The trade specialist also has said Cuba will most likely be unable to recover the export level the country had attained prior to the start of the economic crisis. He also has said the $410 million increase in Cuban imports during 1995 compared to 1994 was due mostly to the purchase of fuel, raw materials, chemical products, and food. (Mexico City NOTIMEX in Spanish 1817 GMT 5 Jun 96)

Figures disclosed by official government sources, according to a 5 June, Havana-datelined report, reveal that 1,421 rooms for tourism had been built in Cuba up to May. According to Construction Minister Juan Mario Junco, the government's target is to build 2,275 rooms by the end of the first semester of the year to accommodate the rapidly growing demand taking place in the tourism sector. (Havana PRENSA LATINA in Spanish 1759 GMT 5 Jun 96)

The volume of rice harvested to date in Granma Province amounts to nearly 262,000 quintals, a yield of 2,300 quintals per area, 102 percent more than what had been forecast initially. If the province expects to deliver the 53,000 metric tons quota it is required to deliver as part of the national rice production plan, it must harvest the 2,300 caballerias still left to be sown. More than 1,700 caballerias have been planted in the region so far. (Havana Radio Rebelde Network in Spanish 1155 GMT 5 Jun 96)

The region of Vuelta Abajo, Pinar del Rio Province, was able to collect nearly 32 million bundles of tobacco during one of the longest harvest periods recorded in the province. This result ensured a 25 percent growth in tobacco compared to last year's harvest. (Havana Radio Rebelde Network in Spanish 1155 GMT 30 May 96)

Victor Frank, general manager of Trip Cayo Coco Hotel, says a 500-room hotel is being constructed in partnership with Cubanacan, next to an existing hotel. This will make 1,000 rooms available for tourism in Cayo Coco, Ciego de Avila Province. (Havana Radio Rebelde Network in Spanish 1700 GMT 7 Jun 96)

Camaguey Weekly includes a report on milk production following the affects of a drought, which led to a state of emergency being declared in Camaguey's cattle industry. The industry is recovering. (Havana Radio Rebelde Network in Spanish 1155 GMT 8 Jun 96)

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Habanos, S.A. President Francisco Linares Calvo said that Cuba will launch a new cigar called Cuaba into the United Kingdom market in November. Havana S.A., a state-owned cigar producing company, estimates sales of $100 million in cigar exports, and $10 million in profits. The 18 cigar-producing factories in Cuba must produce 70 million cigars this year. (Mexico City NOTIMEX in Spanish 1610 GMT 8 Jun 96)

Overall production increased 24 percent in Granma Province due to the efforts of various production sectors. However, 39 companies have not achieved their goals. The production of batteries in Manzanillos plant dropped by 20,000 units, which led to a 21-percent decrease in income. Light industry dropped almost 1 million pesos, mainly in a shoemaking factory in Cienfuegos Province. The province covered its sugar quota. Tuber production increased by 151,000 tubers, but the province's overall goal was not reached. Milk production dropped 9 million liters. According to April figures, more than 9 million pesos worth of losses were expected in Granma, but this has been reduced to 4 million pesos. The province's budget deficit was reduced to slightly over 1 million pesos. (Havana Radio Rebelde Network in Spanish 1700 GMT 8 Jun 96)

The Karl Marx Cement Factory produced 200 tons of cement, a 226-percent increase over the same period last year. Some 550 thousand tons of cement are expected to be produced this year. (Havana Radio Rebelde Network in Spanish 1700 GMT 8 Jun 96)

Twelve caballerias out of an estimated 50 caballerias of rice have been planted in Punta Alegre, the northern part of Ciego de Avila Province. (Havana Radio Rebelde Network in Spanish 1700 GMT 8 Jun 96)

Cattlemen's efforts allowed Camaguey Province to withstand drought. Milk production in Camaguey Province currently exceeds 160,000 liters of milk. There are still several liters of milk remaining in the rural areas because of transportation problems and lack of containers. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 Jun 96)

Official reports say mercantile production increased 28.0 percent during the first five months of the year compared to the same period last year. Growth was reported in basic industry, Minaz (Sugar Ministry), and agricultural sectors. (Havana Radio Reloj Network in Spanish 1930 GMT 9 Jun 96)

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Mexico: European Envoy Criticizes Helms-Burton Law

PA1106162496 Mexico City NOTIMEX in Spanish 1514 GMT 9 Jun 96

[By Gabriela Villa George]

[FBIS Translated Text] Mexico City, 9 Jun (NOTIMEX) — Jacques Lecomte, head of the European Commission's delegation in Mexico, today said the EU will never accept the imposition of unilateral measures on international trade, such as the U.S. Helms-Burton law, from any country.

Lecomte is a Belgian diplomat who, since October 1992, has been in charge of the European Commission's delegation in this capital city. During an interview with NOTIMEX, he said the WTO is the only forum that might resolve this type of conflict.

Lecomte warned: "The EU has worked very hard to do business within the WTO's framework. For this reason, the Helms-Burton law is absolutely contrary to this organization." Lecomte is also acting as an ambassador.

Although the EU and the United States initiated last Tuesday in Geneva a series of consultative meetings on the repercussions of the Helms-Burton law on international trade, Lecomte believes that the U.S. response was insufficient.

He pointed out: "Extraterritoriality is unacceptable. We cannot accept for one country alone to take this kind of unilateral measures on trade when there exists a WTO for the discussion and examination of problems."

Lecomte stated that according to the EU, "the existence of the Helms-Burton law is disappointing not only for the United States, but to others because it also affects the friends of the United States."

He explained: "The United States attempts to eliminate the communist regime from Cuba through this law that sanctions countries that are trading with this island. This is like trying to kill a fly with a tennis racket."

In his opinion, the impact of the Helms-Burton law on the EU-U.S. relations will depend upon the reaction of European investors and the WTO, which will have to take a stand regarding the EU's appeal.

"The EU only intends to take action against the Helms-Burton law within the WTO's framework. Nevertheless, we do not discard the possibility of forming at a later time a team at the WTO for the settlement of disputes in order to discuss such measures," he said.

Lecomte, who has participated in the implementation of the European Commission's foreign trade policy since its beginning in 1964, said the EU has not yet considered taking additional measures because of the existing differences among its 15 member states.

He added: "The British have the same position as Canada, which strongly condemns the Helms-Burton law, while the Dutch have another position, and others do not have any. Therefore, all of the countries do not have a completely equal position."

Regarding measures that the EU could take to counteract the negative effects of the controversial U.S. law, Lecomte said: "There are various possibilities because not every country has economic interests in Cuba."

The diplomat further said that the EU will promptly take a unified position, adding that right now it does not even know how many European businesses would be affected by the implementation of the Helms-Burton law.

During this interview, Lecomte also referred to the mandate that the European Commission approved a month ago to sign an agreement with Mexico for the gradual and mutual liberalization of trade.

In this regard, he pointed out that after the negotiation mandate was approved, the legal text should be approved then. This text is pending at the EU's Council of Ministers.

According to Lecomte, only the Council of Ministers' legal approval on the negotiations with Mexico is pending. The UK hindered this approval this week in retaliation for the EU's embargo against UK products following the "mad cow" epidemic.

However, the European diplomat said he expects that the UK will stop hindering these negotiations with Mexico within the next two weeks because the European Commission has already lifted the embargo against British gelatin, tallow, and bovine sperm.

Lecomte explained that, after the obstacles blocking the negotiations are removed, we will have to wait for the Mexican authorities' response on the political, human rights, and commercial cooperation mechanisms for agreement between Mexico and EU.

"The European Commission will negotiate the juridical text with Mexican authorities. To this end, the Commission maintains direct contact with Mexican authorities while 'The Fifteen' discuss the agreements in Europe," Lecomte affirmed.

"Mexico will give its response to the Commission and it will send it to the EU to try to establish specific commitments. When the first agreements with Mexico are reached, the European Parliament, the Mexican

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Congress, and the European parliaments must ratify them," he added.

According to Lecomte, commercial negotiations between Mexico and the EU are part of a complex institutional process. "It is not like with the United States. For me, the agreement would be much easier with the United States, with whom we maintain different procedures," he remarked.

According to estimates by the Belgian diplomat, the negotiations between the EU and Mexico will begin next fall and the duration of the process won't be determined until the position of Mexican authorities is known and the first meeting has been held.

Lecomte underscored the importance of negotiations between Europe and Mexico because in 1998, in the framework of NAFTA, the second phase of the tariff reduction process among the United States, Mexico, and Canada will go into effect.

"Following the 1994 Mexican financial crisis, sales of U.S. products only dropped by 1.2 percent while the sales of European products declined by 35 percent on average. Hence, the EU is interested in negotiating an agreement with Mexico in order to compete," he affirmed.

"We believe that the commercial agreement of the EU with Mexico will allow European products in under the same conditions as NAFTA-country products. In addition, it will be an important element of promotion that will bring large Mexican firms to Europe," Lecomte expressed.

According to the diplomat, the agreement between Mexico and the EU will allow Mexican businessmen to discover new markets. "In addition, it is important for Mexicans to have the experience of Europeans, who work under longer terms than Americans," the EU official noted.

Regarding the recent postponement on the part of the EU of negotiations to sign a cooperation agreement with Cuba, Lecomte stated that "this is not an indefinite postponement, but the talks will continue while some changes take place in the island."

"The changes in the penal code and human rights in Cuba will allow the European Commission to order the Council to begin negotiations of a cooperation agreement," the representative of the EU executive branch in Mexico indicated.

Although Lecomte recognized that the education and health systems in Cuba are victories of the Cuban Revolution, he said that "the conditions of the population are regrettable and the economic difficulties make a change in the policy of the Fidel Castro government necessary."

"The EU in no way intends to change the economic system of Cuba, but there are very important elements, such as human rights, which must change and that is part of our policy with all countries," he stressed.

"Cubans must further open their economy to make it more of a market economy. If there are economic changes in Cuba, we can provide assistance in training and other areas. If there are no political changes, it will be impossible to implement economic changes," Lecomte asserted.

For the Belgian diplomat, it is difficult to predict the impact of the Helms-Burton law on European investments in Cuba. In addition, he considered that "if there is no unanimity regarding the blockade, this legislation will not be an efficient measure."

Mexico: Bancomext, Cuba To Continue To Promote Trade

PA1106154296 Mexico City NOTIMEX in Spanish 1343 GMT 10 Jun 96

[FBIS Translated Text] Cancun, 10 Jun (NOTIMEX) — The National Foreign Trade Bank of Mexico (Bancomext) and the Cuban Government will continue to promote the commercial exchange between Mexico and Cuba, despite the Helms-Burton law, Bancomext reported today.

In a communique, the financial institution stated that, at the Fifth Latin American and Caribbean Business Meeting, which will be held from 18 to 21 June, Cuban officials will explain the benefits of investing in their country.

During the meeting, on 19 June, Raul Taladrid Suarez, Cuban foreign investment vice minister, will introduce the topic: "Module on Business and Investment Opportunities in the Caribbean: The Cuban Case."

He added that the meeting has been promoted "to effectively and in a timely fashion respond to the challenges and opportunities the region's companies are facing with a view to creating a hemispheric free trade zone in the next century."

Bancomext pointed out that the previous four meetings gathered more than 1,100 businessmen from the Caribbean basin, who have contributed to conducting businesses and strengthening interregional economic ties.

Bancomext sources confirmed the participation of Cuban officials in the meeting, in which representatives from 43 countries will also participate.

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According to the meeting's agenda, the topic "Economic Opening and Growth in Latin America" will be analyzed on 18 June. Quintana Roo Governor Mario Villanueva Madrid will preside over the opening ceremony.

Likewise, Bancomext Director General Enrique Vilatela Alba, Coordinating Business Council President Hector Larios Santillan, and Commerce Secretary Herminio Blanco, as a distinguished speaker, will deliver speeches at the meeting.

Mexico: Cocopa, EZLN To Renew Peace Talks With Government

PA1206032896 Mexico City NOTIMEX in Spanish 1557 GMT 10 Jun 96

[FBIS Translated Text] La Realidad, 10 Jun (NOTIMEX) — Members of the Harmony and Peace Commission (Cocopa) and the Zapatist National Liberation Army of the southern state of Chiapas agreed today to renew peace talks with the government, starting with a new agenda and new dates for the meetings.

The acting Cocopa president, Legislator Juan N. Guerra, said: "Everything that has to be changed within the legal framework of the Chiapas peace process will be revised to reactivate and facilitate the peace talks."

According to Guerra, the government wants the talks to provide results; therefore, the government is studying a new format, and a redefinition of the regulations governing the procedure of the peace talks, which were delayed recently, will be undertaken.

National Mediation Commission (Conai) President Samuel Ruiz read a joint communique in which the EZLN expresses its will to renew direct contact with the government delegation.

Ruiz, bishop of San Cristobal de las Casas, Chiapas, said the communique includes dates and possible topics for the meetings that will be made public once they are approved through Conai's mediation.

During the Sunday night meeting with Cocopa members, the EZLN noted the need for a new legal framework and a new format for the talks to avoid a future disruption of the negotiations.

Ruiz added that they agreed to meet on 20 July in this same Chiapas community and that a special forum on Reforms of the State be held from 30 June to 6 July in San Cristobal de las Casas within the framework of a National Dialogue for Political Reform.

Following the meeting, EZLN spokesman Subcommander Marcos announced the lifting of the "red alert" decreed recently due to alleged, military mobilizations in the zone; those mobilizations were never corroborated. In addition, Subcommander Marcos announced the EZLN in 10 days will submit a proposal to create a new, legal framework for the peace talks and stated that the EZLN is willing to renew direct talks with government representatives in San Andres Larrainzar.

The talks, which should have continued on 5 June, were deadlocked after the EZLN announced it might abandon the talks, affirming that better conditions were needed to resume them.

The position of the EZLN, a group which began an armed rebellion in January 1994, was adopted after judicial authorities convicted two alleged EZLN militants, Javier Elorriaga and Sebastian Entzin. Elorriaga and Entzin were freed last week after being absolved of the charges of terrorism, rebellion, and conspiracy for which they were arrested in February 1995 and sentenced in May to 13 and six years imprisonment, respectively.

Meanwhile, Subcommander Marcos has described as positive the fulfillment of the military's pledge to suspend its movements in the region of Las Canadas, which has favored a climate of distension to hold the Cocopa-EZLN meeting in that area. Commander Marcos added that his commitment is to progress in the peace talks in San Andres Larrainzar, the permanent site for the negotiations, and to open a new channel for talks not with an enemy but, rather, with Cocopa, a group interested in peace.

The announced agreements were the result of four hours of talks between Cocopa, Conai, and the EZLN, the members of which met in that community's communal dining room, approximately 1,200 km southeast of Mexico City.

The government and EZLN delegations must continue talks on the second issue, "democracy and justice," which they have been studying since March, following an initial agreement in February on "rights and culture of indigenous peoples."

Mexico: Youth Political, Other Views Polled, Part I

96CA0186A Mexico City REFORMA in Spanish 20 May 96 pp 1A, 6A

[Part one of a two-part report on polling by REFORMA newspaper, Mexico City, 9-15 March and 17-24 April]

[FBIS Translated Excerpt] **Skeptical About the Government**

REFORMA polled 500 residents of the capital between the ages of 13 and 24 to find out what young people think. Today they discuss our institutions.

Sixty-one percent do not trust the government at all.

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Indicate the people you most admire

Person	Age 13-17	Age 18-24	Average
Mother	33	71	57
Father	30	61	45
Modern artists	28	24	26
Teachers	7	24	15
Historic figures	—	19	10
Present-day athletes	13	10	11
Classical artists	6	7	6
Myself	3	6	5

Only main responses shown

Indicate the people you least admire:

Person	Age 13-17	Age 18-24	Average
Ernesto Zedillo	24	30	27
Carlos Salinas	24	31	27
Politicians	13	33	23
Raul Velasco	—	8	4
Historical figures	1	7	4
Other ex-presidents	2	4	3
Mario Aburto	—	3	1
Jacobo Zabludovsky	—	2	1

Only main responses shown

How much do you trust...?

Entity	A Great Deal	Somewhat/A Little	Not at All
My family	77	20	3
The university	30	54	3
Teachers	24	65	11
Radio	20	71	8
The Catholic Church	20	50	29
The Zapatist Army	14	56	25
Public-health institutions (IMSS [Mexican Social Security Institute], ISSSTE [Social Security and Services Institute for Government Workers])	12	68	17
The National Army	10	48	39
Bankers	7	56	30
The police	4	30	65
The president	1	42	55
Judges	1	48	50
Senators	1	29	57
Deputies	1	40	58
The government	0	38	61

The table does not include "no answer"

Politics and Government

Do you approve or disapprove of the way President Zedillo is governing Mexico?

Answer	Percent
Approve	13
Disapprove	71
Not sure	16

If you could vote and the election for president of Mexico were held today, for which party would you vote?

Party	Percent
PAN [National Action Party]	28
PRI [Institutional Revolutionary Party]	7

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Party	Percent
PRD [Party of the Democratic Revolution]	18
None	28
Other	6
Not sure	13

How much do you trust...?

Party	A Great Deal	Somewhat/A Little	Not at All
PAN	4	41	54
PRD	4	38	58
PRI	2	19	78

The table does not include "no answer"

What do you think it takes to become president of Mexico?

Answer	Age 13-17	Age 18-24	Average
Be corrupt	11	19	15
Cronyism	10	17	14
Professional training	20	4	12
Money	7	10	9
Brains	7	10	9
Belong to PRI	5	8	6
Know politics	3	8	6
Be honest	8	2	5
Interest in Mexico	6	3	4
Win people's trust	3	2	3
Strong character	2	2	2
Political fame	1	2	2
Obey the law	3	—	1
Be a criminal	2	—	1
Self-confidence	1	1	1

Only the most common answers shown

Who do you think would be best suited to be Mexico's next president?

Answer	Age 13-17	Age 18-24	Average
Not sure	65	63	64
No one	9	11	10
Diego Fernandez	7	6	7
"Subcomandante Marcos"	4	4	4
Cuauhtemoc Cardenas	3	4	4
Vicente Fox	3	4	4

Only the most common answers are shown

The Economy

What do you spend your money on?

Answer	Age 13-17	Age 18-24	Average
Food	53	55	54
Transportation	47	68	57
School supplies	46	34	40
Entertainment (movies, recorded music, etc.)	35	50	43
Clothing	17	24	20
Helping out at home	4	13	8
Personal items	4	8	6

Various answers were accepted

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What do you think your living standard was when you were a child? What do you think it is now?

Answer	Before	Now
Upper	11	3
Upper middle	28	23
Middle	42	54
Lower middle	10	15
Lower	7	5

The table does not include "no answer"

How do you get the money you need for your personal expenses?

Answer	Percent
From my family	68
By working	30
Other	2

Methodology

Complete interviews were conducted among 500 people between the ages of 13 and 24 in Mexico City.

The sample was designed by stages, in keeping with a representative proportion of the various socioeconomic strata in the city as shown on marketing maps.

The ages of the pollsters were similar to those of the respondents.

By design the margin of error is plus or minus 4.4 percent, for a confidence interval of 95 percent. The probability of nonsample errors is greater than sample errors.

Dates conducted: in two stages, the first from 9 to 15 March and the second from 17 to 24 April 1996.

Research design: Salvador Camarena and Rafael Gimenez Text: Silvia Isabel Gamez Sample design: Guillermo Aguilar Organization of field work and data processing: Ariadna Garcia and Susana Correa Pollsters: REFORMA Research Department [passage omitted]

Mexico: Youth Political, Other Views Polled, Part II

96CA0187A Mexico City REFORMA in Spanish 21 May 96 p 6A

[Part two of a two-part report on polling by REFORMA newspaper, Mexico City, 9-15 March and 17-24 April]

[FBIS Translated Excerpt]**Future Prospects**

How would you describe the general situation in the country today?

Answer	Age 13-17	Age 18-24	Average
Good	2	2	2
So-so	15	14	15
Poor	56	48	52
Very poor	26	35	30
Not sure	1	1	1

What sort of situation do you think the country will be in 10 years from now?

Answer	Age 13-17	Age 18-24	Average
Better	32	22	27
The same	11	23	17
Worse	24	21	22
Not sure	33	34	34

Future Success

How certain are you that you are going to achieve your goals or what you have set out to do?

Answer	Age 13-17	Age 18-24	Average
Very certain	58	48	53
Somewhat certain	32	40	36
Not certain	8	10	9
Not sure	2	2	2

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Which factor on the list below do you think is most important to be successful in Mexico?

Factor	Age 13-17	Age 18-24	Average
Personal effort	46	27	37
Education	25	26	26
A wealthy family	13	24	18
Luck	6	12	9
Being corrupt	8	6	7
Being opportunistic	2	3	2
Other	0	2	1

In which sector would you like to work?

Answer	Percent
Private enterprise	66
Government	13
Makes no difference	18
Not sure	3

Methodology

Complete interviews were conducted among 500 people between the ages of 13 and 24 in Mexico City.

The sample was designed by stages, in keeping with a representative proportion of the various socioeconomic strata in the city as shown on marketing maps.

The ages of the pollsters were similar to those of the respondents.

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Dates conducted: in two stages, the first from 9 to 15 March and the second from 17 to 24 April 1996.

Research design: Salvador Camarena and Rafael Gimenez Text: Silvia Isabel Gamez Sample design: Guillermo Aguilar Organization of field work and data processing: Ariadna Garcia and Susana Correa Pollsters: REFORMA Research Department [passage omitted]

Mexico: Roundup of Economic Developments Through 10 Jun

PA1106145796

[FBIS Report] The following is a compilation of reports on economic developments in Mexico monitored through 10 June.

According to a monthly poll conducted by the Mexican Association of Studies for Consumer Protection, AMEDC, the prices of staples increased by 10 to 50 percent in May, there were price distortions in the marketplace, the cost of medical services and housing increased, while the recession continued to hit the commercial and industrial sectors. The survey also adds that the outlook for food prices is very discouraging given the drought and the drop in production. The AMEDC noted that, according to the survey conducted in the final days of May, the prices of food products such as white potatoes, carrots, celery, lemons, papayas, green beans, cucumbers, and cauliflower increased between 10 and 50 percent. (Mexico City LA JORNADA in Spanish 3 Jun 96 p 55)

During the first four months of 1996, the output of petroleum products by Mexican Petroleum (Pemex) Refining and Pemex Gas and Basic Petrochemicals reached an average of 1.6096 barrels per day, which allowed the institution to guarantee the supply of fuel to the national market. Both Pemex subsidiaries produced 502,000 barrels of gasoline per day between January and April 1996. (Mexico City EL FINANCIERO in Spanish 3 Jun 96 p 29)

The Trust Company for the Sugar Market, Forma, has reported that 1,276,311 metric tons of sugar was the total volume of sales between 1 January and 27 May. The Forma also noted that 55.4 percent (707,497 metric tons) was raw sugar; 3.4 percent (44,371 metric tons) was white-type sugar; and 41 percent (524,443 metric tons) was refined sugar. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 3 Jun 96 p 17A)

Mexico's domestic debt has dropped to 45.8 percent of the country's GDP during the first quarter of the year as a result of government policies that have caused the GDP to increase in nominal terms while keeping the country's domestic debt stable. This helped Mexico to be placed among the nations with the least domestic debt as a percentage of its GDP at the Organization for Economic Cooperation and Development. (Mexico City EL FINANCIERO in Spanish 3 Jun 96 p 38)

According to the National Institute of Statistics, Geography, and Information Science, the value added of assembly plant production increased by 5.9 percent in

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March 1996 as compared to the previous month. Construction and the assembly of transportation equipment; electric and electronic materials and accessories; the assembly of machinery and equipment; other manufacturing industries; the apparel factories; and the assembly of furniture and of wood and metal products were the activities that contributed the most to the increase. (Mexico City EL FINANCIERO in Spanish 4 Jun 96 p 30)

Up until March, the Savings Protection Banking Fund (Fobaproa) had acquired 42.366 billion pesos of the banking system's overdue loan portfolio as part of the capitalization agreement between the government and the loan institutions. According to the National Banking and Securities Commission, this figure is 39.9 percent of the overdue loan portfolio, including banks that have been intervened or are in a special situation, totalling 106 billion pesos on 31 March. (Mexico City REFORMA in Spanish 4 Jun 96 p 1 — received via Internet)

The Commerce and Industrial Development Secretariat (Secofi) said today that Mexico's Direct Foreign Investments (IED) in April amounted to $455.5 million, of which 77.3 percent were channeled through the industrial sector. Secofi reports 9.62 percent ($43.8 million) was invested in the trade sector; 6.89 ($31.4 million) in the community, social, and personal services; 5.23 percent ($23.8 million) in the financial sector; and 0.96 percent ($4.4 million) in the remaining sectors. (Mexico City NOTIMEX in Spanish 1903 GMT 5 Jun 95)

The Bank of Mexico (Banxico) reported today that Mexico's net international assets increased $118 million from 24 to 31 May, totalling $1.837 billion. Moreover, Mexico's international reserves increased to $15.995 billion. Banxico said the increase in Mexico's reserves was due to a Pemex deposit of $288 million and an additional $42 million from other operations. Banxico also gave the Mexican Government $82 million to pay its foreign debt service charge. (Madrid EFE in Spanish 0042 GMT 5 Jun 96)

Televisa will be restructured to achieve financial improvement in four years. The company will sell off its non-strategic assets, decrease its expenses, and estimates that in four years its income will be half in pesos and half in dollars. Televisa plans to sell its shares in Skytel, Cablevision, and Pamsat. Televisa plans to concentrate on selling its Mexican soap operas and is betting on new business from satellite television. (Mexico City REFORMA in Spanish 5 Jun 96 p 1 — received via Internet)

Mexico's balance of payments capital accounts reported a $1.1442 billion deficit in the first quarter despite favorable foreign investment during the same period. The capital account's deficit was caused by foreign payments made by Banxico, development banks, and government and private companies. Foreign investments during the first quarter of 1996 reached $2.6833 million, slightly higher than was reported in the fourth quarter of 1995. Financial investments reached $1.8594 billion. Moreover, direct foreign investments during the first quarter of 1996 were $823.9 million, 36.5 percent less compared to the fourth quarter of 1995. Mexico paid $.0359 billion in foreign loans in the first quarter, moreover, Mexico's foreign assets were $208.4 million. (Mexico City REFORMA in Spanish 5 Jun 96 p 1 — received via Internet)

A news item datelined Mexico City reports that, according to the National Institute of Statistics, Geography, and Information Science (INEGI), Mexico's metals and minerals production during the first quarter this year increased by by 5.1 percent over that of the first quarter in 1995. (Mexico City NOTIMEX in Spanish 0915 GMT 6 Jun 96)

According to a bulletin issued by the National Banking and Securities Commission, the development banks, despite their governmental nature, have not escaped the bank crisis and overindebtedness. The Bank of National Finance, the National Bank of Public Works and Services, Corp. (Banobras), the National Rural Credit Bank (Banrural), the National Foreign Trade Bank (Bancomext), and others accumulated losses of 1.2071 billion pesos from January to March because they were forced to break off loans and create reserves to maintain an adequate solvency level. These banks' overdue receivable loan payments increased by 140.12 percent annually as of March 1996. (Mexico City EL FINANCIERO in Spanish 6 Jun 96 p 5)

The Bank of Mexico has reported that finance companies improved the recovery of their overdue loan portfolio by 18 percent during the first quarter. This portfolio, which stood at 8.533 billion pesos in December, dropped to 6.964 billion pesos three months later. Luis Garcia de la Rosa, president of the Association of Mexican Finance Companies, said this situation is due to the sale of overdue loans by the finance companies to their own bank, which in turn transferred these loans to Fobaproa (Savings Protection Banking Fund). (Mexico City EL FINANCIERO in Spanish 6 Jun 96 p 6)

The metallurgical industry has been confirmed to be one of the leaders in the economic recovery. Its produiction volume index increased by 5.1 percent during the first quarter this year. The mining, processing, melting, and refining of metallic and non-metallic minerals experienced a 2.9-percent increase in March, INEGI

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reported. (Mexico City EL FINANCIERO in Spanish 6 Jun 96 p 24)

In April, the Commerce and Industrial Development Secretariat (Secofi) received information on direct foreign investment for $455.5 million. Of this amount, $353.2 million (77.5 percent) were reported to the National Register of Foreign Investments, and $102.3 million (22.5 percent) were for net imports of fixed assets by assembly plants. More than $331.3 million (70 percent) of the total investments reported in April originated in the United States. The United Kingdom is the second largest source of capital with at least $40 million (9 percent). (Mexico City EL FINANCIERO in Spanish 6 Jun 96 p 24)

According to a bulletin issued by the National Banking and Securities Commission, the profitability of the Mexican banking system dropped by 22.71 percent. For the first time in several decades, total losses of 2.6495 billion pesos were reported. These losses do not include the losses reported in the banks audited in March and which represented an injection of Fobaproa resources for 37.546 billion pesos to guarantee the timely payment to the depositors of these banks. During the first quarter of this year, only 4.5 million pesos in dividends were distributed in the Mexican banking system. (Mexico City EL FINANCIERO in Spanish 7 Jun 96 p 4)

Despite promises that foreign companies would invest more than $6 billion, figures show that direct foreign investment in the first quarter of the year was only $823 million. This is 45 percent less than in the same period in 1995 and 74 percent less than in the same period in 1994. (Mexico City EL FINANCIERO in Spanish 7 Jun 96 p 1 — received via Internet)

According to a 7 June, Mexico City-datelined report, Mexico and France have signed five agricultural cooperation agreements and pledged to study six other projects. The Agriculture Secretariat said the agreements were signed by Agriculture Secretary Francisco Labastida and French Ambassador Bruno Delaye as a result of the first binational meeting between the two countries. The agreements involve the transfer of technology, training, agricultural research, the exchange of specialized personnel, and the genetic improvement of livestock. (Mexico City NOTIMEX in Spanish 1349 GMT 7 Jun 96)

A 9 June, Mexico City-datelined report indicates that the Mexican auto industry increased its production by 29.9 percent in the first four months of the year, the highest level in its history. The Commerce Secretariat said that 303,909 more vehicles were produced than in the same period in 1995. It added that 322,119 vehicles were exported, a 39.6-percent increase compared to the same period in 1995. (Mexico City NOTIMEX in Spanish 1715 GMT 9 Jun 96)

A Mexico City-datelined dispatch on 9 June reports that Mexican Petroleum, Pemex, earned $3.193 billion from the sale of 1,503,500 barrels of petroleum a day in the first four months of the year. This represents a $774 milion increase compared to the same period in 1995 from exports to the American continent, Europe, and the Far East. The largest buyer of Mexican crude was the United States with 78.6 percent. (Mexico City NOTIMEX in Spanish 0238 GMT 10 Jun 96)

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Guatemala

Guatemala: Minister Says Amnesty Could Block Peace

96CA0208A San Jose LA NACION in Spanish 6 Jun 96 p 1

[Unattributed article: "Minister Says Amnesty Could Be Stumbling Block to Peace" — received via Internet]

[FBIS Translated Text] Panama (EFE)—Guatemalan Foreign Minister Eduardo Stein said yesterday that the issue of amnesty is one of the points that could turn into a stumbling block to the signing of peace agreements between the guerrillas and his country's government.

Stein stated at a press conference that his government is making a "discriminating" analysis of points that might become an obstacle to peace negotiations between the Guatemalan National Revolutionary Unity (URNG) and the government. One of these could be amnesty.

"The main stumbling block for a civilian who understands nothing about military matters is the debate that has just begun in my country over the issue of amnesty," Stein said. The latter is participating in the 26th General Assembly of the Organization of American States (OAS) now underway in Panama.

Nevertheless, he added that the government of Guatemala has no definite position on the matter, "which needs to be discussed." The problem will be how to reconcile our citizens' need for individual justice with respect to relatives who perished in the war with the notion of historical justice that converts the past into the past, "as must be the case," Stein emphasized.

In the diplomat's opinion, if there is no real national coming together on "turning the page (in Guatemala), then personal demands and vengeance will make it impossible to move beyond the conflict." With respect to the resumption in Mexico of negotiations between the URNG and the Guatemalan Government next Friday, Stein said the points on the agenda will essentially concern the "strengthening of civil society and the role of the Armed Forces in that civil society." He emphasized that in this connection, certain issues have been presented in advance by the URNG. In addition, a number of quite innovative proposals have come from the Armed Forces themselves with respect to how they view their own reorganization, a matter on which they have defined their position.

Guatemala will try to benefit from Nicaragua's experience in this area, Stein said, adding El Salvador's situation was different from that of his own country. That conflict, in which there were outside military advisers, ended in a stalemate between the rebels and the Army. Guatemala presents yet another ingredient that is not even included in the agenda of the negotiations on Nicaragua and El Salvador, that ingredient being the Indian peoples, who are the main suppliers of troops for the Guatemalan Army.

"In other words, the treatment of the military issue in Guatemala must be tailor-made to fit our conditions," Stein emphasized.

He went on to say that the issue of security must be analyzed in terms of whether or not the Armed Forces are to play an active role in the fight against drug trafficking, inasmuch as their participation in police functions has "very definite" consequences since it will be a new Army with a new non-police role.

Guatemala: Orders To Commit Crimes Investigated

96CA0208B San Jose LA NACION in Spanish 4 Jun 96 p 1

[Unattributed article: "Alleged Orders To Commit Crimes To Be Investigated" — received via Internet]

[FBIS Translated Text] Guatemalan Interior Minister Rodolfo Mendoza announced yesterday that an investigation will be conducted into the matter of orders that were allegedly given in 1983, 1984 and 1993 to a National Police chief to kill a number of persons in this country.

Yesterday, the daily newspaper SIGLO VEINTIUNO published three "confidential" letters in which National Police Lieutenant Colonel Oscar Humberto Melgar Barrera, who at the time was departmental chief of Mazatenango on the southern coast, ordered the executions.

According to one of the letters, on 20 September 1983, Melgar ordered a subordinate identified as Jose Antonio Anton to plan the killing of the deputy chief of police of the municipality of San Antonio Suchitepequez, Hector Ceron Calderon.

Another missive was sent in January 1984 to officers Daniel Gomez and Manuel de Jesus Gallardo ordering them to kill four more persons in Mazatenango. A third letter, dated October 1993, asked them to kill American Jack Shelton, accused of being a terrorist.

According to the newspaper, the letters were made public in Washington when that country's State Department published various documents relating to human rights violations in Guatemala.

Minister of Government Rodolfo Mendoza said yesterday that an investigation will be conducted to determine whether the orders were indeed given and to ascertain

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whether Melgar Barrera still works for the National Police.

"If it is established that such proof exists that a serious crime was committed, the courts will have to administer the punishment," the official said, admitting that to date no further details are known about the matter.

It is not known whether the orders given by Melgar Barrera were executed.

Mendoza said that if the officers mentioned in the letters still work for the institution, they will be investigated by the Office of Civil Responsibility (ORP), but if they are no longer in service, it will be the responsibility of the Department of Criminal Investigations (DIC) to conduct the investigations.

Very little is known so far, the Interior minister said, while announcing that he is waiting for the Office of Prosecutor General to send him a report on the alleged orders sent by Melgar Barrera to his subordinates to carry out the killings.

Honduras

Honduras: Reina Rejects U.S. 'Attack' on Maquila Industry

PA1106164696 Tegucigalpa LA TRIBUNA in Spanish 8 Jun 96 p 3

[FBIS Translated Text] Commenting on the tremendous campaign being furthered in the U.S. Senate against the Honduran maquila industry [assembly plant sector], Honduran President Carlos Roberto Reina has sharply stated: "I reject this attack against the fatherland and the reports that Honduras is a country of horrors." He vehemently called on all sectors to defend the country, with love and absolute devotion, in this dirty game against Honduras.

As has been reported, the business and labor sectors broke negotiations on wages and prices due to the significance given to the maquila problem. Reina urged them to adopt a united stance to confront this national problem and said they should not have differences regarding the charges made against the maquila industry. "Sit down and agree on this point. The government's position is that you should reconcile your views and that the labor law be implemented," he asserted.

Naivite Makes Them Accept the Dirty Game

Reina complained that no one says now that Honduras is a leased country or that it has succumbed to the counterrevolutionaries. "They say Honduras is a country of horrors, because a girl went to the U.S. Senate to present her complaint," he added. In his opinion, this case and any other charges of abuse must be thoroughly investigated to uncover the truth and added that they must also find out why those campaigns have arisen. "Appearances on the front pages of newspapers and top billing by networks does not just happen spontaneously," he emphasized.

Delegation Will Take an Arsenal

The president believes the issue of the maquila industry is a recurrent political issue that comes up every time there is a political campaign, because it touches on issues that can favor one or the other party "and because they want to take the industrial parks away from Honduras."

He stated that his position on this issue is that "irregular events be investigated and the culprits punished. There are 75,000 Hondurans who could be left without jobs."

Reina asserted that the delegation that will travel to the United States tomorrow is going with an arsenal to defend Honduras and to state the truth about the maquilas. The delegation includes businessmen, government officials, and even opposition politicians who will defend the good cause of a flourishing industry.

Honduras: U.S. Efforts Against Maquiladora Industry Viewed

PA1106163696 Tegucigalpa LA TRIBUNA in Spanish 10 Jun 96 p 6

[FBIS Translated Text] Honduran Foreign Affairs Minister Delmer Urbizo Panting stated yesterday that the maquiladora [assembly plant] industry has been facing problems for several years because the U.S. labor sector and some U.S. businesses have joined efforts to create obstacles for this Honduran industry.

"They have made unprecedented efforts and that is the reason for the discrediting campaigns. U.S. labor unions have on some occasions also joined this front. When I was the economy minister, we foresaw this situation and we managed to have this country's labor unions sign a document in support of the maquiladora industry," he recalled.

The foreign affairs minister further said that various aspects are involved. One aspect is that the maquiladora industry takes away job opportunities from Americans, it reduces the sources of employment, and it is financed with U.S. funds.

"Everything is of a political nature behind the scenes, this is an election year in the United States, and those who oppose President William Clinton intend to obtain a political advantage at our expense. They have taken advantage of some entrepreneurs of the maquiladora

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industry. They should strictly comply with labor laws," he underscored.

The official added that when Honduran Ambassador to the United States Roberto Flores Bermudez announced that teenager Wendy Diaz would appear before the U.S. Senate, he was instructed to present the Honduran position. "He was told that the law will be enforced against transgressors."

Honduras: Armed Forces Explain Sandinist-Recontra Clash

PA1206042396 Tegucigalpa LA TRIBUNA in Spanish 10 Jun 96 p 6

[FBIS Translated Text] General Mario Raul Hung Pacheco, head of the Honduran Armed Forces, has stated emphatically that the recent clash that took place between armed recontra groups and Sandinist Army soldiers the afternoon of 7 June occurred along the border in Nicaraguan territory and not on Honduran soil.

"The Honduran Foreign Ministry will provide additional information on this incident," he has said.

Mario Hung has said the Nicaraguan Army had requested authorization to enter Honduran territory to search for a Nicaraguan national who had been kidnapped. The Honduran Foreign Ministry issued an authorization allowing Sandinist army soldiers to enter our territory to negotiate a ransom, which they did jointly with the Honduran Public Security Force (FSP). They were attacked by another group of recontras once back in Nicaraguan territory.

The general has said that FSP Commander Major Cruz Santos and Regional Army Colonel Lara Alvarado are working in a coordinated manner in the eastern part of the country and that criminal activity in the area has decreased considerably; thus, there will be no need to adopt additional security measures along the border with Nicaragua.

Delicate Situation in the Gulf

As for the arrest of 14 Honduran fishermen in the past two weeks by the Nicaraguan Navy, Hung Pacheco has said "the situation in the Gulf of Fonseca is very sensitive, and we should refrain from creating more friction. Honduran fishermen sometimes enter Nicaraguan waters as a result of maritime borders not being properly delimited; there are no buoys, and even the current can sometimes drag the fishermen. We must be cautious and not cause a conflict between both countries."

In reference to statements by local fishermen about the arrest having taken place in Honduran waters, the Army chief has said Nicaragua could claim the same thing, that the fishermen were in their waters. "I do not believe the media are seeking to create a Central American conflict. The issue must be dealt with objectively," he has reiterated.

The military officer has said it is difficult to determine in which country one is located, because there are no buoys marking a demarcation; thus, the authorities are coordinating measures intended to improve communication, and there must be more tolerance.

Evidence Must Be Presented

Hung Pacheco has refused to comment on charges of military corruption, because "it is irritating and annoying. Charges are being made about many of us having become wealthy illegally. These are situations over which I would rather not comment, because they denigrate the honor of many individuals."

"Where these charges originate from is of no interest. The Bible says sticks and stones may break my bone, but words will never hurt me. This campaign does the fatherland a great disservice. We should all unite and work for the fatherland," he added.

The general also refrained from commenting on accusations made by the Committee of Relatives of Missing Prisoners in Honduras (Cofadeh) about Luis Alonso Discua Elvir, Honduran alternate ambassador to the UN Security Council, being a violator of human rights. According to Hung Pacheco, "we are not going to respond if they want to continue with their vendetta against the Armed Forces. If they have any evidence, they should present it before the courts," he has said.

Honduras: Foreign Minister Not Fearful of U.S. Reprisals

PA1106165496 Panama City ACAN in Spanish 0030 GMT 11 Jun 96

[FBIS Translated Text] Tegucigalpa, 10 Jun (ACAN-EFE) — Honduras does not fear U.S. reprisals for having supported the condemnatory resolution of the 26th OAS General Assembly, which was held last week in Panama, against the Helms-Burton law, which toughens the embargo against Cuba.

Questioned on whether U.S. reprisals frighten him at a news conference, Honduran Foreign Affairs Minister Delmer Urbizo Panting today, Monday, said "not at all; we maintain excellent relations with the United States."

Even though this law "exclusively pertains" to the United States, the OAS believed that it must be analyzed from an international legal standpoint, because it contains "extraterritorial" elements, he added.

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One of the measures of the Helms-Burton law is to cancel the U.S. visas of investors from any country that conducts business in Cuba and occupies properties that the government of Fidel Castro confiscated from U.S. citizens.

Urbizo explained that "Honduras' position placed the OAS resolution, which includes such issues as trade, investments, and movement of people, in its proper context. These issues should have been broached at such other venues," such as the World Trade Organization.

The Honduras foreign minister pointed out that Harriet Babbitt, U.S. ambassador to the OAS, even congratulated him for having "softened" the resolution.

Honduras: World Bank Grants $2.7 Million Donation

96CA0209A San Jose LA NACION in Spanish 6 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text] Tegucigalpa (ACAN-EFE)— The IDB [Inter-American Development Bank] has granted Honduras a donation of $2.7 million for reform programs in the financial and capital market sector, energy and telecommunications, an official source reported yesterday, Wednesday.

The donation was approved in Washington Tuesday by the IDB Multilateral Investment Fund, according to a bulletin from that organization's office in Tegucigalpa.

Some $1.5 million will be earmarked for financial modernization, while the remaining funds will go for reforms aimed at attracting private capital to the telecommunications and electric power sectors.

"Reforms of the financial sector and capital market will seek to facilitate private investments and reduce the cost of such financing," the source added.

To that effect, technical assistance will promote implementation of the legal and regulatory framework for the stock market and insurance field established by the new Law Governing Financial Institutions and the recently created Banking and Insurance Commission.

Honduras is the Central American country that benefits the most from the IDB, which finances various projects in the areas of infrastructure, energy, reforms of the public sector, modernization of the judicial administration and legislative system, as well as other programs.

The IDB plans to grant Honduras nearly $400 over the course of the 4 years of the administration of President Carlos Roberto Reina (1994-1998).

Honduras' foreign debt rose to some $4.1 billion in 1995, according to official economic sources.

Nicaragua

Nicaragua: Business Sectors Criticize Helms-Burton Law

PA1206020096 Mexico City NOTIMEX in Spanish 1533 GMT 10 Jun 96

[FBIS Translated Text] Managua, 10 Jun (NOTIMEX) — Nicaraguan business and political sectors today criticized the Helms-Burton law, which intensifies the U.S. economic embargo against Cuba, saying that this law goes against free commerce.

An important leader of the Higher Council of Private Enterprise [Cosep], commenting on the extraterritorial nature of the law, told NOTIMEX: "We are against anything that goes against private enterprise."

The Cosep leader, who asked to remain anonymous, believes the law U.S. President William Clinton promulgated on 12 March is contrary to the principles of free commerce.

The Helms-Burton law is aimed at expanding the U.S. economic embargo that has been in effect for more than 30 years on Cuba through the implementation of penalties on third countries that maintain commercial relations with the Caribbean island.

The U.S. Government decided to intensify the commercial penalties on the Havana government after the 24 February downing by the Cuban Air Force of two small planes registered in the United States that belonged to an organization of Cuban exiles in Miami.

The incident, in which four pilots of the anti-Castro organization "Bothers to the Rescue" died, is being arbitrated by the International Civil Aviation Organization on a request from the UN Security Council.

According to the Havana regime, the action took place in Cuban airspace, while the United States affirms it took place in international waters.

The official of the largest business organization in this Central American country reiterated that Nicaragua's businessmen "reject anything that goes against principles of private enterprise."

In a separate interview, Jaime Bonilla, first secretary of the Nicaraguan National Assembly, demanded that the Helms-Burton law "not interfere in any way with the businesses operating in our country," adding: "We need for the United States to respect Nicaraguan sovereignty."

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Meanwhile, Gustavo Tablada, president of the Nicaraguan Socialist Party, said the U.S. legislation "very much violates international law and the freedom that must exist in economic relations." Tablada believes the law also goes against "the political respect that must exist among governments regardless of how different or contrary a regime in any given country might be."

Tablada said: The cost the implementation of the Helms-Burton law will have on the United States "is going to be incredible, because a series of governments is already thinking about taking actions to counteract the effects of this law."

"We are going to have a situation in which some are going to begin working to defend themselves in the face of an inflexible position by the U.S. Government, and then we are going to have a law of the jungle in international, economic relations," he said.

Nicaragua: Venezuela Rejects Reports on Agreement Funds

PA1206012696 Managua LA PRENSA in Spanish 7 Jun 96 pp 1, 16

[Report by Nohelia Gonzales and Miguel Lopez]

[FBIS Translated Text] In a letter to the media, the Venezuelan Government yesterday rejected reports on the mishandling of funds Venezuela has granted to Nicaragua through the Economic Cooperation Agreement with Venezuela.

In a brief communique, the Venezuelan Embassy stated that "it states publicly that it is unfamiliar with the origin of these reports and that everything contained in them is unproven."

The Venezuelan Embassy communique was issued after a number of officials of the Nicaraguan Government demanded that Venezuelan Ambassador to Nicaragua Hernan Calcurian give an explanation to the Nicaraguan Foreign Ministry regarding a report he has sent to his country that included a reference to an alleged diversion of funds from a project funded by the Venezuelan Government toward the electoral campaign of the presidential candidate of the National Project Party [Pronal].

Foreign Cooperation Minister Erwin Kruger Maltez demanded an explanation from the Venezuelan ambassador yesterday and described the report as interference in Nicaragua's internal, political affairs.

Kruger said Calcurian should clarify the report to the Venezuelan Foreign Ministry and the Nicaraguan Government, adding that Nicaraguans cannot allow the casting of doubt on its presidential candidates.

Kruger said: "I have the impression that this problem is a Venezuelan internal one." Kruger reiterated forcefully that "we cannot allow interference in our internal, political affairs."

The National Assembly's Anticorruption and Infrastructure Commission has summoned the foreign cooperation minister to give accounts of the handling of the questioned funds included in the Calcurian report, but Kruger said he would not heed the summons, because the Central Bank handles the Venezuelan Investment Funds (FIV) and the Construction and Transportation Ministry supervises the execution of the projects.

The report leaked to well-known, Venezuelan reporter Jose Vicente Rangel has pointed out the diversion of $30 million from the Boaco-Muy Muy road construction project to Pronal led by former Presidency Minister Antonio Lacayo. Antonio Lacayo and the Nicaraguan Government have denied the rumor.

In a news conference, Construction and Transportation Minister [MCT] Pablo Vigil Icaza has said Venezuelan Ambassador Hernan Calcurian acted hastily in giving credit to the rumors and reporting the alleged divergence of funds from the Boaco-Muy Muy road construction project to Pronal led by Antonio Lacayo.

Accompanied by his deputy ministers, Raul Leclair and Edmundo Zuniga, Vigil has said such assertions cause inconveniences, because they apparently arose from statements disgruntled contractors have made to Ambassador Calcurian.

Vigil has said contractor Daniel Ayestas and his lawyer, Roger Miranda, of the Nicaraguan consulting firm ESDISA, who has participated in the bid to supervise the construction of the Boaco-Muy Muy road, began making false accusations because they believed they would not win the bid. Vigil added that Ayestas' company won the bid to supervise the construction of the road despite having prior accusations of breach of contract. Vigil has said ESDISA, which has bid jointly with a Venezuelan company on this occasion, had problems with its Venezuelan partner.

"Ayestas was unwilling to reach an agreement with his Venezuelan partner, and four months ago he predicted a scandal if he were not awarded the contract," Vigil said. Vigil has said he was concerned because the Venezuelan diplomat included Ayesta's version in his report without consulting the MCT.

"Ambassador Calcurian never consulted with the MCT. There is no conclusive proof or information indicating a mishandling of funds. The Venezuelan ambassador has sent the report without consulting us, and we are concerned by the hastiness with which it was

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done," Vigil has said, adding that they are waiting for an explanation from the Venezuelan ambassador and the Venezuelan Foreign Ministry that will satisfy the Nicaraguan Government, the MCT, and Antonio Lacayo.

According to MCT Minister Vigil, the Boaco-Muy Muy road project was delayed because of Nicaragua's arrears in the FIV, an issue which was resolved last year, the reason for which work on the 99 km road project was begun recently.

Vigil has said more information is being gathered regarding the statements made by Ayestas and his lawyer, Miranda, to study the possibility of filing a libel suit.

"This incident demonstrates the indiscretion of certain individuals who lend ears to some individuals wanting to harm the MCT and Antonio Lacayo," Vigil added. Vigil has said an FIV supervisory delegation was in Nicaragua four weeks ago.

MCT Minister Vigil added that the National Assembly's Anti-Corruption and Infrastructure Commission and the Comptroller General's Office have begun an investigation, "but we have our cards on the table," Vigil has said, adding that the MCT does not handle the funds because it only bears witness to the progress and quality of the works.

At noon today, the Nicaraguan Foreign Ministry expressed satisfaction with the explanation Venezuelan Ambassador Calcurian gave in a press release last night.

An official communique issued by the Foreign Ministry also confirms that Nicaraguan Foreign Minister Ernesto Leal cited Venezuelan Ambassador to Nicaragua Hernan Calcuria to demand an explanation of the issue.

"The Nicaraguan Government expresses its most emphatic rejection of this kind of unfounded information that tries to tarnish Nicaragua's good image," concludes the Nicaraguan Foreign Ministry note.

Nicaragua: Venezuelan Envoy Receives Death Threats

PA1106174696 Panama City ACAN in Spanish 2241 GMT 10 Jun 96

[FBIS Translated Text] Managua, 10 Jun (ACAN-EFE) — The Nicaraguan police today, Monday, reported that Venezuelan Ambassador to Nicaragua Hernan Calcurian has received death threats in anonymous telephone calls.

Ambassador Calcurian reported to police authorities that since 6 June he has received threats on several occasions from unidentified individuals who warned him that he could suffer "a tragic accident" if he does leave Nicaragua in the next four days.

These threats are taking place eight days after a memorandum was disclosed in Venezuela stating that Calcurian supposedly said that funds Venezuela sent to Nicaragua were funneled to finance the election campaign of Antonio Lacayo, President Violeta Chamorro's son-in-law. Former Presidency Minister Lacayo is the "National Project" Party's presidential candidate for the general elections that will be held in Nicaragua on 20 October.

Venezuelan journalist Jose Vicente Rangel, based on the report Calcurian allegedly sent, on 2 June told a Caracas television station that part of a $30 million credit granted by Venezuela had been funneled into financing Lacayo's campaign.

As the alleged report was published in Venezuela, the Nicaraguan Government requested an explanation from the Venezuelan Embassy, which issued a note stating that it is unaware of the source of this information made public in Caracas. This note was issued after Nicaraguan Foreign Relations Minister Ernesto Leal summoned Ambassador Calcurian to request an explanation of the issue.

In brief statements to the media, Foreign Minister Leal today affirmed that the content of the supposed memorandum, which the local media made public in Managua, has worried the Nicaraguan Government. He added that, after the news was published in Nicaragua, he sent a note to the Nicaraguan Embassy in Venezuela "to act accordingly before the corresponding authorities."

Panama

Panama: Investigation of Threat on President's Life

PA1206033196 Panama City ACAN in Spanish 2220 GMT 11 Jun 96

[FBIS Translated Text] Panama, 11 Jun (ACAN-EFE) — A local radio station has disclosed that the Panamanian security organizations are investigating who is responsible for an anonymous telephone call made today to the Presidency of the Republic, threatening to assassinate President Ernesto Perez Balladares.

According to the radio station "KW Continente," after the Presidency received the threatening call, it set its security mechanisms in motion and detected the place from where the alleged call was made.

The station, which cites a ranking judicial source, indicated that the authorities searched the house of a woman, who claimed that she often let others use her

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telephone and that she does not know which one of those persons used it to threaten President Perez Balladares.

Thus far, the Council for Public Security and National Defense, a branch of the Presidency, has not confirmed the alleged threat on the president's life.

Panama: AG's Office Orders Arrest of Banaico Figures

PA1206033396 Panama City LA PRENSA in Spanish 10 Jun 96 p 1

[Report by Jose Quintero Leon]

[FBIS Translated Excerpt] The Attorney General's Office the afternoon of 7 June ordered the arrest of Manuel Salvador Morales, president of the Agro-Industrial and Commercial Bank of Panama, Inc. (Banaico), General Manager Bruno Bemborad, and Deputy Manager Maritza de Mattaden.

The measures taken this weekend surprised the three individuals arrested and their lawyers, because they were on parole while being investigated for fraud, which, according to the Penal Code, has a minimum sentence of six months.

It also has been revealed that the authorities ordered the arrest of Irasema Subia, a Banaico accounts manager, but Subia is confined to a private hospital after giving birth on 7 June. According to justice department sources, Subia is under investigation for alleged ties with the drug-trafficking case of Jose Castrillon Henao.

Jose Alberto Alvarez, Morales' lawyer and legal representative of one of Morales' banks, has said the accused must report to the Attorney General's Office every Friday in order to continue enjoying their parole status.

None of the accused was told they were being sought for arrest, which occurred the afternoon of 7 June and later that night, which Alvarez believes is inadmissible.

Maritza de Mattaden was located the night of 7 June and taken to the Women's Rehabilitation Center, while Morales was taken to the PTJ [Judicial Technical Police] station in Ancon under preventive arrest. According to PTJ sources, Bemporad was arrested the morning of 8 June.

Alvarez said on 10 June that Morales' lawyers will go to the Attorney General's Office to see what legal changes have occurred in the Banaico case, because the accused were initially being investigated for fraud, and now it seems the legal charges have been changed to conspiracy to crime. [passage omitted]

Panama: Accusations Against President's Aides Said Ploy

PA1206044896 Panama City Circuito RPC Television in Spanish 2300 GMT 10 Jun 96

[Report by Luis Polo Roa from the "RPC Television News" newscast — passages within quotation marks are recorded]

[FBIS Translated Text] A report by THE MIAMI HERALD again linking the political campaign and the government of Ernesto Perez Balladares with drug trafficking has been rejected.

According to National Security Council Director Gabriel Castro, the report accusing aides of President Perez Balladares of being linked to drug trafficking only because they were members of the collapsed Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.] and for having formed part of Trans Latin Air, two enterprises under investigation for irregularities, is nothing but a political ploy aimed at discrediting the country at the international level:

[Castro] "This wave of reports is distinct, political motivations and does no good for Panama. As you will see, in today's newspaper they not only repeat information about a member of the Democratic Revolutionary Party [PRD]; they link me as the attorney of Trans Latin Air."

Castro admits he worked for the enterprise, as the report states, but he has said that he worked legally for it until 1993 and that it was not until 1994 when it was reported in the United States that Trans Latin Air is facing a grand jury trial on charges of drug trafficking. To this charge, Castro has said when the enterprise was in operation it was dedicated strictly to the transportation of cargo without violating any law:

[Castro] "It surprises me very much that not only [Mayor Alfredo] Aleman is being probed now as a member of the PRD but that the foreign minister also is being questioned, because he was the lawyer of an enterprise that has participated or is participating in Banaico activities. As we have said before, in the case of Castrillon Henao, he not only had money in Banaico but in another seven or eight banks."

As for Castrillon Henao's bank deposits, it was learned he also had money in Banco Exterior, the General Bank, the Lloyd Bank, and others not being accused of having links with drug trafficking; therefore, it seems those reports are aimed directly at tarnishing the government's image.

Castro has said the government will sue the British magazine THE ECONOMIST for its recent publication,

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but no actions will be taken against THE MIAMI HERALD fo. the time being:

[Castro] "Lawyers will be arriving from London this week to meet with the president and other officials. We believe the first thing we must do is to reject immediately those false reports, which are half-truths or lies."

Castro has said an investigation is under way, as it is suspected that the plan to discredit the government is being directed in Panama, and he has totally ruled out any participation by the U.S. Government, adding that pertinent actions will be taken after obtaining conclusive evidence.

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Argentina

Argentina: Navy Officials Meet With Peruvian Counterparts

PY1106142596 Buenos Aires TELAM in Spanish 0210 GMT 8 Jun 96

[FBIS Translated Text] Buenos Aires, 7 Jun (Telam) — Representatives of the Argentine and Peruvian Navy met in this capital today to continue discussing the mutual assistance agreement shared by the two institutions.

In a communique the Argentine Navy states that "the purpose of the agreement is to tighten even more so the traditional ties that link the two navies, through mutual cooperation."

The Peruvian delegation was headed by Rear Admiral Carlos Ocampo Urena, who is head of the Working Committee of the "Mutual Assistance Agreement Seventh Meeting" between the two forces.

During the meeting the delegates discussed "initiatives related to material and operations as well as the technical equipment of personnel involved in these tasks."

The meetings were held on board the "Presidente Sarmiento" frigate anchored in Madero Port. A document was signed at the end of the meeting by Ocampo Ureno and Vice Admiral Carlos Rojas Ortiz, in his capacity as head of the Argentine delegation.

Argentina: Day of 'Argentine Rights' Over Falklands Marked

PY1106140396 Buenos Aires TELAM in Spanish 2117 GMT 7 Jun 96

[FBIS Translated Text] Buenos Aires, 7 Jun (TELAM) — On 7 June the Armed Forces marked the Day of Argentine Rights Affirmation over the Malvinas [Falkland] Islands and the Antarctic Sector with several ceremonies in military units and organizations.

Lieutenant General Mario Diaz, joint general chief of staff, presided over the ceremony in which the Armed Forces marked this event.

Diaz emphasized "the hopes that we all harbor concerning a diplomatic solution to the conflict" with the UK over the Malvinas archipelago and the South Georgia Island.

The Air Force scheduled a ceremony at the "Condor" [Air Force headquarters] building heliport. The ceremony was presided over by Brigadier Major Jorge Gimenez, Air Force deputy chief of staff.

Air Force Colonel Carlos De Maria, Air Force High School deputy director, delivered a speech on this occasion. A list of 55 Air Force High School members, including five conscripts, who were killed during the south Atlantic war, was read.

Senior officers and NCO's from the Buenos Aires Air Force garrison, and Office of the Air Force Chief of Staff troops, with their brass band and their flag, participated in the ceremony.

Lt. Gen. Martin Balza, Army chief of staff, will preside over the main ceremony that will be held in Mar del Plata on 10 June.

The aforementioned ceremony will begin at 1100 on 10 June at the 601st Air Defense Artillery Group, headquartered in Camet. Balza will deliver a message during the ceremony.

Argentina: Army Chief on Diplomatic Role Over Falklands

PY1106142796 Buenos Aires TELAM in Spanish 1844 GMT 10 Jun 96

[FBIS Translated Text] Mar del Plata, 10 Jun (TELAM) — Army Commander Martin Balza said today that the recovery of the Malvinas [Falkland] Islands "will not be accomplished through war," but through the defense of Argentina's rights "in the diplomatic arena."

"War is not in our minds when we think about recovering this territory that is unquestionably Argentine. The decision to recover the Malvinas Islands has been made, but that decision is not through war, but through the defense of our rights in the diplomatic arena," Balza said.

The Army chief talked to reporters after presiding over the ceremony to commemorate the Day of the Reaffirmation of the Sovereignty over the Malvinas Islands at the 601 Anti-Aircraft Artillery Group, in Mar del Plata.

Asked about negotiations with Great Britain, the military chief only commented on relations between the Argentine and British Armies, which are "within the framework of understanding and mutual respect."

"We have an exchange of officers and noncommissioned officers. We are working in peace keeping missions in different parts of the world. Our occasional adversary in 1982 is now a friend," Balza said.

During his speech Balsa considered that the Malvinas Islands are "a true part of our national soul" and "an inner sentiment, a renovated hope, and a memory always close to our emotions."

Balza said the islands "reflects a citizens conviction, the revaluing of a sense of sovereign that prompts us to vindicate a national patrimony, which is undoubtedly Argentine."

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The military chief also recalled "those who fell in combat and war veterans, who beyond the political decision in which they did not participate, fought on Malvinas grounds. Many of them remained forever in the frozen waters of the South Atlantic."

Balza defined the day that is commemorated today as a "day of melancholy and nostalgia for all Argentines" and recalled those who died as well as war veterans.

In the same tone he directed "his warmest embrace to all Malvinas veterans, without distinction of the Armed Forces branch, security organization, hierarchy, of rank."

"We owe them permanent homage, because all of them, without exception, fought with the bravery and the emotional stability proper of soldiers who believe that, beyond everything, they are fighting for a just cause."

With respect to the British Army, Balza said that "the occasional adversary during the 1982 war, the British Army, is now our friend."

Balza reiterated that the military, more than professionals of war are professionals of peace. "We fulfill our mission better when we win peace than when we win a war."

Argentina: Communique Issued on Falklands Talks With UK

PY1106115896 Buenos Aires TELAM in Spanish 2148 GMT 9 Jun 96

[FBIS Translated Text] Buenos Aires, 9 Jun (TELAM) — The government today confirmed that it wants to achieve agreements with the United Kingdom in the pursuit of a solution to the sovereignty dispute regarding the Malvinas [Falkland] Islands.

A Foreign Ministry communique emphasizes: "On this extremely significant day, the Argentine Government confirms that it wants to achieve agreements with the United Kingdom in the pursuit of a solution to the sovereignty dispute concerning the Malvinas Islands, South Georgia Island, and the South Sandwich Islands."

The communique notes that the agreements will be achieved "within the framework of the UN and OAS resolutions, in keeping with the specific hopes of all the countries of our region."

The communique points out: "The Argentine claim has been and currently is supported by the countries of our region and by many international fora and organizations. During this week's assembly, the OAS confirmed its support through a declaration that was unanimously approved."

The communique notes: "Nevertheless, we Argentines have been prevented from settling, purchasing properties, and carrying out continuing activities in the Malvinas Islands since 1833. Citizens with Argentine passports cannot enter the islands today."

The communique notes: "This absence of direct communications between the islands and the rest of our national territory does not contribute to generating the conditions required for advancing in the normalization of the situation prevailing in the zone under dispute. The agreements with the United Kingdom on hydrocarbons and fishing protection issues represent an effort in this direction."

The Foreign Ministry communique recounts: "On 10 June Argentina will mark another anniversary of a decree establishing the Malvinas Islands political and military command by Acting Governor Martin Rodriguez."

The communique points out: "Pursuant to the original writing of 10 June 1829 (...) of 'the government of our Republic' having 'entered the succession of all the rights that the former mother country possessed regarding these provinces' and in order 'to have the population of these islands observe the laws of our Republic.'"

The communique indicates: "This jurisdiction exercise was forcefully disrupted in 1833 when the Argentine population and authorities were expelled from the islands and replaced by British population and authorities."

The communique notes: "This act of force has never been approved by the Argentine Government and nation, both of which have permanently reaffirmed, and continue to confirm today, the firm and irrevocable goal of regaining, in keeping with the principles of international law, its sovereignty over the islands."

Argentina: Menem Visit to Belgium, Morocco Previewed

PY0706222196 Buenos Aires TELAM in Spanish 1905 GMT 6 Jun 96

[FBIS Translated Text] Buenos Aires, 6 Jun (TELAM) — It was officially reported today that President Carlos Menem will travel on 8 June to Belgium and Luxembourg where he, as Mercosur [Common Market of the South] pro tempore chairman, will meet EU officials.

Menem's tour, which will take place within the framework of the agreements signed between the two regional blocs, will also include an official visit to Morocco on 12-15 June.

The official entourage will leave at 2130 [0030 GMT 9 June] on 8 June from the Ezeiza international airport

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aboard the "Tango-01" Virgen de Lujan plane that has been scheduled to arrive at 1840 (1340 Argentine time) on 9 June at the Zaventem airport in Brussels.

At this time of the year, EU countries' time is five hours ahead of Argentina's.

In Brussels, Menem will be met by Foreign Minister Guido Di Tella; the Argentine, Brazilian, Paraguayan, and Uruguayan ambassadors to the EU; and the Belgian director of protocol, a Foreign Ministry communique reports.

Menem's official activities in the Belgian capital will begin at 0900 on 10 June when he will meet Belgian Prime Minister Jean-Luc Dehaene at the Rue de Lambermont.

An "EU, Toward a New Economic Relationship?" seminar will begin at 0930 [10 June]. Brazilian Foreign Minister Luiz Felipe Lampreia will be in charge of opening this seminar.

Economy Minister Domingo Cavallo; Industry Secretary Carlos Magarinos; Agriculture Secretary Felipe Sola; and the entrepreneurial entourage that will accompany the government's official delegation.

Menem, accompanied by a small entourage that will include his daughter, Zulema Menem, and Foreign Minister Di Tella, will leave at 1125 [10 June] for Luxembourg.

On this occasion, Menem will participate in a European Council meeting. The EU foreign ministers make up the European Council. He will be met by European Council Secretary General Jurgen Trumpt; the Mercosur foreign ministers; and the Mercosur ambassadors to the EU.

After this meeting, the Argentine president will go at 1315 to the Luxembourg Ducal Palace where he will participate in a lunch in his honor, hosted by the Grand Duke and the Grand Duchess of Luxembourg.

After this lunch, the president will meet at 1500 EU Vice President Manuel Marin. Afterwards, Menem will hold a news conference.

Back in Brussels, the president will attend at 2000 the "Tango Perfume" show, sponsored by the EU and the Argentine Government, at the Palais Des Beaux Arts.

On 11 June Menem will meet Belgian King Albert II at the Royal Palace and European Commission Chairman Jacques Santer at the Breydel building. Afterwards, he will be greeted by the EU-Mercosur Mixed Commission delegation heads.

At 1855 on 11 June the president will host a reception, sponsored by the Coordinating Board of Mercosur Food Industries [Coordinadora de Industrias de Productos Alimenticios del Mercosur] (Cipam) and the Food, Beverage, and Related Industries Commission (Copal).

The establishment of the EU-Mercosur Entrepreneurial Forum [Foro Empresario UE-Mercosur] will be announced during a dinner scheduled for the evening of 11 June at the Tractebel [expansion unknown] headquarters.

On 12 June, after meeting European Parliament President Klaus Hansch, Menem will participate in a European Parliament session. A cooperation agreement between the European Parliament and the Mercosur parliamentarian representatives will be signed.

A news conference by Menem and Hansch has been scheduled for 1115 on 12 June at the Leopold building. Afterwards, Hansch will host a lunch for the Argentine president.

At 1600 on 12 June Menem and his entourage will depart for the city of Rabat in the Kingdom of Morocco. They will be met by King Hassan II; Crown Prince Sidi Mohamed; Prince Muley Rachid; and Prime Minister Abdellatif Filali, among others.

After the traditional welcome with dates and milk, the Argentine president and the Moroccan king will tour the city of Rabat by car until reaching the Palais Royal des Hotel, where a reception ceremony will be held.

At 1030 on 13 June the Argentine president will lay a wreath at the Mohamed V Mausoleum and will briefly tour the city's walled section.

A military ceremony will be held in Menem's honor at the Royal Palace, as he arrives. There he will hold a private meeting with King Hassan II. Menem and King Hassan II will subsequently exchange decorations.

On 13 June, at a yet undetermined time, the president will meet Prime Minister Abdellatif Filali, the Moroccan head of government.

At 1900 on 13 June Menem will close a seminar on Trade Promotion and Investments at the Hyatt Regency Rabat Hotel. On the evening of 13 June King Hassan II host a dinner at the Ryad Palais.

On 14 June the president and his entourage will visit the Royal Stud of Bouznika, where an equestrian exhibit will take place; the city of Casablanca; and the Hassan II mosque.

On 15 June the president and his entourage will tour the Menara gardens, the Palmeraie circuit, the Royal Golf Hotel of Palmeraie, and the Bahia Palace in the city of Marrakech.

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On the evening of 15 June, at a yet undetermined time, Menem and his entourage will depart for Buenos Aires, where they will arrive at about 0700 [1000 GMT] on 16 June.

Argentina: Army Head Says Peru Ties Unaffected by Sales

PY1206023396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1936 GMT 10 Jun 96

[FBIS Translated Text] Mar del Plata, 10 Jun (NA) — [Army Chief of Staff] Lieutenant General Martin Balza emphasized today that the relations between the Argentine and Peruvian Armies "involve mutual respect," as the Andean nation "has a very clear view of the developments" concerning the illegal arms sales to Ecuador.

The Argentine Army chief of staff denied in this manner that the military ties between the two nations had deteriorated in the wake of the scandal involving Argentine arms sales to Ecuador right during the middle of that country's military conflict with Peru.

Balza emphasized: "I will speak from a military viewpoint. The relations between the Argentine Army and the Peruvian Army involve understanding, friendship, affection, and mutual respect."

Balza added that the relations between the armies of the two countries have this status because "the Peruvian Army has a very clear view of the developments."

Balza made these remarks after presiding over the main ceremony marking the Day of Reaffirmation of Argentine Rights on the Malvinas [Spratly] Islands at the 601st Artillery Group, headquartered in Camet.

Argentina: FM Communique Criticizes PRC Nuclear Test

PY1206004396 Buenos Aires TELAM in Spanish 2115 GMT 11 Jun 96

[FBIS Translated Text] Buenos Aires, 11 Jun (TELAM) — The Ministry of Foreign Relations, International Trade, and Worship today criticized a nuclear test that the PRC carried out on 8 June.

In a press communique, the Foreign Ministry points out: "This test has been carried out during a decisive stage in the negotiations on a treaty for totally banning nuclear tests, which represents a priority for the international community."

The communique indicates: "Nevertheless, the stance recently expressed by the PRC at the Geneva disarmament conference of not persisting in carrying out nuclear tests with peaceful purposes is hereby being emphasized."

The Foreign Ministry also "again asks the PRC Government to reconsider its decision of pursuing the aforementioned tests and to observe a moratorium in this regard."

The Foreign Ministry emphasizes, in concluding, that nuclear tests "are of no help in enhancing the nonproliferation system and, therefore, international peace and security."

Bolivia

Bolivia: News Summary for 31 May

96CA0191A (Internet) Bolivian Social Communications Ministry WWW in Spanish 31 May 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Political News [passage omitted]

First Talks on Article 60 Collapse

Despite reaching an almost definite agreement on the new regional distribution of parliamentary seats and on the "districting" of uninominal seats in the Chamber of Deputies, the government and the opposition have been unable to agree on how and when the law regulating the application of the Constitution's revised Article 60 would be approved.

The talks convened by President Sanchez de Lozada have, therefore, run into an unsurmountable obstacle, at least for the present.

Success Reported in Eliminating Drug Precursor Agents

"In comparison with other years, 1996 has been most successful in our efforts against drug precursors, and in this field some really important progress has been made, like the recent breakup of a network of traffickers dealing in these substances," stated Minister of Government Carlos Sanchez Berzain. [passage omitted]

Talks with Parties Today on Article 60

The National Electoral Court has scheduled a meeting with representatives of the political parties recognized by this electoral organization in order to begin talks about the election of uninominal deputies. The meeting will be held at 0930 today in the Court's offices, and spokesperson Alfredo Bocangel said that this first meeting will enable the participants to learn the views

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on this issue of the parties with parliamentary representation, of parties which have municipal representation, and of other parties which are simply recognized by the National Electoral Court. [passage omitted]

Paz Zamora Denies Arms Sales

Yesterday former President Jaime Paz Zamora, while visiting Oscar Eid Franco, who was celebrating his birthday while in San Pedro Prison, said that his government had nothing to do with an arms purchase from Argentina, an d stated that Argentina needs to provide explanations on this matter.

"I believe this is more of a problem for the Argentine government than for other governments," he said in a short conversation with the press. [passage omitted]

Economic News [passage omitted]

Addendum to ENRON Contract to be Signed

On Friday, 31 May, an addendum to the contract between YPFB [Bolivian Government Oil Deposits] and ENRON Development Corporation will be signed. Meetings with the chief of state, Gonzalo Sanchez de Lozada, will be held in the morning to continue negotiating amendments to this agreement.

"We are moving forward with amending" the contract, said ENRON's general manager in Bolivia, Laine Powell, who added that there are still "some" pending issues. However, in compliance with a gentlemen's agreement, he refrained from discussing the specific agreements and unresolved issues.

Association Contract Amendment Confirmed

Minister of Privatization Alfonso Revollo has proposed introducing amendments to the Incidental Association Contract for privatizing the Bolivia-Brazil gas pipeline, a contract signed by YPFB and the U.S. firm ENRON, in order to allow other companies to take part in the process of privatizing the state oil company.

Revollo indicated that there are some "crucial points of the contract that need to be amended, but there are no more than three or four such points," which will be dealt with in an addendum. [passage omitted]

Bolivia: News Summary for 3 Jun

96CA0192A (Internet) Bolivian Social Communications Ministry WWW in Spanish 3 Jun 96 Morning Edition

[From the Computer Services Network of the Bolivian SocialCommunications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Political News [passage omitted]

ADN-MIR: Doubts About New Agreements

According to the MIR [Movement of the Revolutionary Left] and ADN [Nationalist Democratic Action], the amendments to the YPFB [Bolivian Government Oil Deposits]-ENRON contract for construction of the gas pipeline to Brazil still contain some questionable features. According to ADN Deputy Nestor Zamora, ENRON's annual rate of returnon its investment, which would be set at a benchmark of 18.5 percent, is one of these questionable issues. "A company's profits are not determined by a document or by decree. Profits result from exercising financial creativity and are alsodetermined by market conditions," said Zamora. MIR Senator Leopoldo Lopez commented that the origin of ENRON's rate of return needs to be clearly spelled out, for if it comes from the sale of gas that is to be transported through the pipeline, "that would be a big mistake."

Deputies Indicted in Congressional Scandal

Four months and five days after the scandal erupted about thecollection of 'sobredietas' [congressional corruption scandal in which deputies tried to lengthen their government service time to qualify for larger longevity bonuses] by a group of deputies, the Prosecutor's Office of the District of La Paz has completed its investigation ofthis case by issuing some drastic indictments, charging that the suspended parliamentarians who are implicated in this presumed act of corruption did indeed commit the crimes of "ideological misrepresentation" and "material misrepresentation." According to reliable sources from the La Paz Public Ministry, these 18 suspended deputies will be turned over to the courts for trial, either directly or through the Chamber of Deputies, provided that no last-minute "rescue" maneuvers are attempted that could keep the fate of these persons from being determined through the normal channels of justice. [passage omitted]

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Bolivia: News Summary for 4 Jun

96CA0193A (Internet) Bolivian Social Communications Ministry WWW in Spanish 4 Jun 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Front Page News Briefs [passage omitted]

President to Convene Second Congress for Article 60

President Gonzalo Sanchez de Lozada has finally decided to convene a second Extraordinary Congress to deal with the regulations for Article 60 of the State Political Constitution, according to the executive secretary of the MNR [Nationalist Revolutionary Movement]. However, members of the opposition have threatened to break off their talks with the Executive if no agreements are reached by tomorrow, and they have referred to the vice president as a "potted plant" for his failure to promote a congressional debate on this issue. [passage omitted]

Political News

Opposition May Break Off Talks Over Article 60

Opposition members of Congress have announced that they will consider Wednesday "D-Day" for reaching some agreement on dealing with Article 60. They have served notice that if President Gonzalo Sanchez de Lozada does not show an interest in dealing with this issue before August, they will break off negotiations.

Senator Gonzalo Valda has announced that the discussions might be "stalemated" if the president insists on postponing this issue until the next legislative session, rather than addressing it in next week's special congressional session, despite the recommendations of the National Electoral Court.

Government Will not Expand Agenda for Article 60

The government and the MNR have definitely refused to include the legislative treatment of Article 60 of the Constitution in the agenda for the Extraordinary Congress which will begin on Monday, 10 June, and they have merely raised the possibility of convening a second congressional session before August.

Minister of Government Carlos Sanchez Berzain and the MNR's executive secretary, Raul Lema Patino, have announced that the president will not violate the Constitution, which prohibits him from expanding the congressional agenda. [passage omitted]

Social News [passage omitted]

Conflict in Uyuni Worsens

Uyuni. With the campesinos' decision to block roads, the conflict in Uyuni today took a turn for the worse. The population has been conducting a civic strike to prevent the closure of the nation's principal railway repair and maintenance facility, but the Chilean White Cross has said that the case is a problem for the government to address.

The government authorities, in the meantime, have continued their position of taking little initiative in this matter, and they have said that they were waiting for the campesinos' pressures to subside before intervening. [passage omitted]

Coca Growers' Ultimatum on Dialogue

Cochabamba. Coca producers of the Five Federations of the Cochabamba area have decided to attend the meeting scheduled for today with officials from the National Executive, but they said that the meeting must be held in La Paz.

"We do not want stopgap solutions for alternative development; as coca producers, we need concrete solutions to replace the coca production-based economy. We repeat: if the government does not agree to talk with us in La Paz, there will be no talks," declared the top leader of Bolivia's coca growers, Evo Morales.

Economic News

New ENRON Contract Expected in Three Weeks

The arduously negotiated new contract between the Bolivian Government and the U.S. firm ENRON on the natural gas transport deal will be announced today, even though it will not be signed for another three weeks, it has been officially announced.

Along with this new postponement of the end of the talks, in which President Gonzalo Sanchez de Lozada has been personally involved, there was also reported a restatement of ENRON's intention to not be left out of the YPFB [Bolivian Government Oil Deposits] privatization process.

The negotiations, motivated largely by critics who were opposed to this contract which gave ENRON a sort of monopoly on natural gas in Bolivia, yesterday even forced changes in President Sanchez de Lozada's scheduled activities. [passage omitted]

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Inflation Up 0.39 Percent in May

After two months of deflation or declining prices, inflation returned in May with an rate of 0.39 percent in the Consumer Price Index, it was officially reported.

With this figure, the cumulative inflation rate during the first five months of 1996 rose to 4.29 percent, and the 12-month cumulative rate was 12.44 percent, stated the director of the National Statistics Institute, Juan Brun.

General Information

Supreme Court President to Resign

Cobija. The president of the Supreme Court, Edgar Rosales, has announced that he will step down on 31 July at the end of his ten-year term. He stated that he is only waiting for another judge to be named as his replacement.

Rosales said that, in any event, he will leave the Supreme Court, even though his replacement in the Santa Cruz Judiciary, which he represents, has not yet been appointed.

Bolivia: News Summary for 7 Jun

96CA0196A (Internet) Bolivian Social Communications Ministry WWW in Spanish 7 Jun 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Political News

Paz Zamora Government Accused in Arms Deal

Defense Minister Jorge Otasevic has suggested that the government of former President Jaime Paz Zamora was responsible for irregularities in a multimillion dollar arms deal between Bolivia and Argentina.

The official said that these deductions are based primarily on documents which have provided evidence of activities conducted by the government of Jaime Paz Zamora in order to acquire a stockpile of both heavy and light weapons from Argentina. [passage omitted]

Economic News

Too Early to Talk of ENRON's Exclusion

In response to press reports suggesting that ENRON might be excluded from the privatization process for the transport segment of YPFB [Bolivian Government Oil deposits] and from the project to build the gas pipeline to Brazil, Minister of Social Communications Guillermo Richter has said that this can not be confirmed until the talks between the two parties have been concluded.

"Let us wait until the negotiations have been completed in the best possible terms so that there will be no impediments blocking the YPFB privatization process, the construction of the gas pipeline, and the strengthening of the Bolivian state," said Richter. [passage omitted]

Brazil

Brazil: Envoy to U.S. Sees 'Positive' Phase in Ties

PY1106042096 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jun 96 p A2

[Commentary by Ambassador to the United States Paulo Tarso Flecha de Lima: "A New Profile of U.S.-Brazilian Relations]

[FBIS Translated Text] Relations between Brazil and the United States are going through one of their most positive phases in the long history of cooperation between the two largest nations of the hemisphere. In fact, the transformations in Brazil and in the international arena have given rise to a new approach to diplomatic understanding, in which maturity and mutual respect have been translated into unobstructed political understanding, without major disagreements.

This new profile of our relations can be better understood if considered within the framework of a double conceptual context. A first mandatory reference is the so-called "new partnership," which was inaugurated during President Fernando Henrique Cardoso's visit to Washington in 1995. An essential premise to this new partnership is the understanding that raising the level of bilateral dialogue is a natural consequence of the values shared by the two nations. From a more general viewpoint, a second reference is the significance that the Summit of the Americas — held in December 1994 — had for the possibility of opening new ways for arrangement of continental relations.

The unity of this double conceptual context stems from a historical evolution that consecrates democracy as its essential value, and that admits that economic development calls for deep structural reforms. This historical evolution has thus given even more concrete dimension to the interests that are common to all the nations of the hemisphere. Hemispheric integration has thus shifted from visionary speeches to the demands posed by our current situation.

Under the guidance of their shared democracy, our countries found a new political outlook to promote common interests. Within this context, Brazil was the first to take action, taking responsibility for promoting

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democracy and human rights, in an unprecedented commitment that can be regarded as a major evolution of more conservative and traditional attitudes of the past. Also in the area of hemispheric democracy, the political accord between Brazil and Washington during the recent crisis in Paraguay — an accord that properly reflected our commitment to democracy — is a good example of the new level at which the dialogue is held.

This commitment is in fact one of the central factors of the new profile of the relations between Brazil and the United States. Among the positive effects of the reforms that Brazilian society is implementing — with full freedom of expression — is the multiplication of points of agreement between the two countries, and the creation of new areas for bilateral cooperation. There are sufficient examples, with their corresponding developments, like the approval of the intellectual property rights bill, the acceleration of the constitutional reform process, the launching of the National Human Rights Program and the National Drug Enforcement Plan, and the preparation of a national document for the settlement of people. Those measures, which have been designed to serve the national interest and Brazilian society's aspiration to build a better country, have had the additional effect of expanding our capacity for external action.

Brazilian-U.S. relations are therefore benefiting from a virtuous circle, because the measures that we are adopting — measures that reflect both the people's will and a mature understanding of the challenges posed by the new times — are expanding the prospects for understanding between the two nations. That is a crucial point for proper evaluation of the so-called "new partnership," which should not be regarded as a policy that we are pursuing as an end in itself, but as a corollary of a historical context that gave our two nations similar views on the world.

Consequently, within this broad context, the dialogue with the United States is developing with total normalcy and full fluency, without "banned" issues or concealed agendas. It is in this atmosphere of understanding that we are trying to overcome our disagreements over specific matters, which are inherent in relations between countries that are as complex as Brazil and the United States.

A good example a such disagreements is the not fully consistent U.S. commercial behavior. In this area — in an attitude that has not always been supported by U.S. society or by the U.S. Congress — U.S. delegations have tried to accelerate negotiations for creation of a Free Trade Area of the Americas, without properly taking into account that consolidation of Mercosur [Common Market of the South] is an essential, priority condition. For its part, Brazil has had problems in making U.S. authorities realize haw harmful the nontariff protectionist measures and measures of other nature are for some Brazilian exports. A simple analysis of the extraordinary evolution of U.S. exports in the past few years (they grew by 117 percent in the 1985-95 period), compared to a frustrating performance of our exports (which grew by 17 percent in the same period), accurately shows how much progress we still have to make until we reach a more balanced relationship in the area of access to markets. In this area, one of the central tasks of our diplomacy has been to attenuate such imbalances, showing that the domestic interests with which those protectionist measures have originated cannot be allowed to hinder the improvement of the U.S. role in the continent's political and commercial dialogue.

There is another example in the political area, in which, especially because of domestic political pressure and of the difficulties with regard to controlling its own domestic demand, the United States has considered drug trafficking a central issue in its relations with South America. Everyone knows that it would be a serious — and deeply disappointing — political mistake to see that in our region, the drug issue has replaced ideological matters as the leading factor in U.S. foreign policy. In this regard, there is a mature perception that the drug issue is a vastly complex problem, and that it may not be the target of measures that do not take into account all the sides of the problem, risking the continuation of the corrective and preventive action that has so far been undertaken within the framework of the law, in a calm atmosphere of mutual respect.

Brazil has also been a direct victim of several phases of drug related crime, among them the smuggling of arms and the action of traffickers in the Amazon region. For example, there has been a growing number of unauthorized incursions in parts of the Amazon airspace. Even more serious than that, some of our urban centers today face the problem of a massive supply of automatic and magazine weapons smuggled from the United States into Brazil. From this viewpoint, it is justified to take strong drug enforcement action in all areas. For Brazil, a U.S. commitment to an understanding [compromisso de entendimento] in the area of arms smuggling control is a high priority. This commitment should be understood as a signal that there is clear perception that a lot more than "crusades" sponsored by just one side is necessary to control the scourge of drug trafficking.

In the effort to understand the new profile of our bilateral relations, it must be made clear that it should not be mistaken for the beginning of a new era in which there will be no more disagreement. Such a situation

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would be neither desirable nor possible for a country with a diplomatic tradition of independence and with its own views of the world. On the contrary, the new profile is marked by the understanding that disagreement is not an indication of separation, but a signal of respectful and mature relations, the only possible type of relations between the two largest nations of the hemisphere.

Brazil: Cardoso Opens Americas Telecom '96 Meeting

PY1106034696 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 10 Jun 96

[Passages within quotation marks are recorded remarks by President Fernando Henrique Cardoso]

[FBIS Translated Excerpt] President Fernando Henrique Cardoso today opened in Rio de Janeiro the Americas Telecom '96 meeting, which is the most important international meeting on telecommunications that will be held this year. [passage omitted]

It will be attended by nearly 40 ministers, 4,000 delegates from member countries, and 400 journalists from throughout the world. The president arrived at the meeting accompanied by Rio de Janeiro Governor Marcello Alencar, Communications Minister Sergio Motta, and Science and Technology Minister Israel Vargas. [passage omitted]

In his opening speech, President Cardoso said that Brazil is opening its telecommunications sector because it can face international competition in this field.

"You all know that, based on the support given to me by the voters, my administration has decided to effectively implement an opening process in our telecommunications system. We are doing so because we do not fear its opening. We are doing it because we are aware of the capability of our experts and companies. There is no reason for not discussing with total calmness the consequences of the opening of the telecommunications system and the progress of our privatization process."

President Cardoso said that the opening process of the sector is being conducted firmly by the administration.

"I often read in newspapers — from which I learn of other opinions, which naturally are not made up — that we are perhaps going too slowly. They forget that those who hold public responsibility must look toward the long term, not just the immediate future. We must evaluate whether our decisions will yield positive results over time and not make decisions simply to obtain applause for just one day. We must responsibly evaluate (the various aspects) of a transformation process. Fast or slow are subjective concepts. I can assure you that we are heading firmly, with competence, toward the direction of recreating our telecommunications system in keeping with the challenges of the next century."

Cardoso spoke about the regulating role of the state.

"To regulate does not mean to impose. It does not mean to bureaucratize. It does not mean to allow political interests to influence or hamper technological progress through regulations, thus harming the performance of companies so as to obtain political gains or less acceptable ones.

"To regulate means to define norms that will allow companies to attend to the clients — and our clients are the Brazilian people — and to the global interests of the country."

According to the president, Brazil is undergoing a great transformation process, and it is increasingly playing a more important role on the international scene.

"Four years ago, our trade with the rest of the world amounted to nearly $50 billion. Nowadays, it amounts to nearly $100 billion. This means we doubled our performance in four years. This is really nothing because it means that our exports correspond to 8 percent of our GDP, considering that our GDP approximately amounts to $600 billion and that we are exporting almost $50 million [not further specified or clarified]. You can see that our economy is still considerably concentrated in the domestic market. This is natural for countries of continental size like the United States, the PRC, India, and Brazil."

President Cardoso said that, after controlling inflation, Brazil is preparing to begin a stage of economic growth.

"Sometimes, when I study other people's opinions, I think: My God! How rushed people are! How can they speak about what they do not know well! They quote such and such growth rates as if it were the minimum requirement needed for economic growth in Brazil. It is not so. The country needs several actions: state modernization, administrative reformulation, the end of political opportunism, conditions that will allow technological development, more support for scientific development, and basic primary education for the people. In sum, that is what we are trying to attain, through the measures mentioned: sustained development."

Brazil: Minister Urges Faster Privatization of Telecoms

PY1106035596 Sao Paulo AGENCIA ESTADO in Portuguese 2240 GMT 9 Jun 96

[By Gilse Guedes]

[FBIS Translated Text] Rio de Janeiro, 9 May (AE) — Communications Minister Sergio Motta today an-

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nounced that the federal government intends to privatize, as of next year, the cellular phone services that are controlled by state governments and that operate on the so-called A band. Motta said that at the end of this year, the private sector will be operating the B band used for cellular phone services. The minister made these announcements at the opening session of Americas Telecom, Latin America's most important telecommunications meeting, at Riocentro, Jacarepagua, in western Rio de Janeiro.

In his speech, Motta emphasized the importance of expediting privatization of the telecommunications sector, in order to promote development of this expanding market in Brazil. According to him, the government established four stages to prepare the sector for private competition. The first stage provides for modernization of mail services, for which an investment of approximately $2 billion has been planned for the next two years.

The second stage provides for restructuring of telecommunications services, and the third involves a $75-billion investment in the sector over an eight-year period, of which $4 billion was invested in 1995 and $7 billion will be invested this year. The fourth stage provides for the design of an institutional model for the telecommunications sector. Motta expects that this year, during the fourth stage, cellular phone services will start being trasferred to the private sector. As of August, the government will publish the calls for offers for operation of the B band. Motta believes that in 1997 the government will manage to privatize the A band, which is currently operated by state-run enterprises.

Motta explained that upon conclusion of all privatizations, the function of the ministry will only be to set public policy guidelines. A regulatory organ will be created to supervise telecommunication services. After selling all its assets, Telebras [Brazilian Telecommunications, Inc.] may simply fulfill the role of an enterprise used as a federal government instrument for action. According to him, this enterprise, which currently has 1,800 employees, will finally have some 200.

Americas Telecom '96 is the third meeting of a series. It is promoted every four years by the International Telecommunications Union, a UN organ that standardizes telecommunications at a world level. The official opening, which will take place at 1000 on 10 June, will be attended by President Fernando Henrique Cardoso. Ministers and leaders of 10 countries will then hold the first roundtable, which will debate the policy for regulations in Latin America after the opening of the sector.

[Sao Paulo AGENCIA ESTADO in Portuguese at 2008 GMT on 10 June, in a related report datelined Rio de Janeiro, adds: "Communications Minister Sergio Motta today announced that the government will transform the 27 state-run telecommunications enterprises into four or five holdings [preceding word in English] that will take care of basic services like local, intercity, and international telephone services.

"The minister added that the four or five holdings will be privatized on a macro-regional basis, and that the government will privatize each of those holdings 'in order to promote competition.'"]

Brazil: President Reports on Housing Program Proposal

PY1206004996 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 11 Jun 96

[FBIS Translated Excerpt] In his weekly radio program this morning, President Fernando Henrique Cardoso reported that the federal administration will launch, on 17 June, two more programs for financing and purchase of materials for construction of inexpensive homes. Families with up to eight minimum salaries will be benefited by the programs.

[Begin Cardoso recording] Today, I have good news for the solution of one of the country's serious problems — that of the housing shortage. Two mistakes have traditionally plagued this area: Government resources have always benefited those who had higher salaries and, worse still, the criteria used to grant these benefits were political. The most benefited parties in these cases were the construction companies. This, however, will not occur again. Currently, 53 percent of the Severance Pay Fund earmarked for the housing projects will benefit those who earn up to five minimum wages. Formerly, only 5 percent of the funds were allocated to people with this salary level. In addition, we are implementing programs that will allow the people to have direct access to this financing.

On 17 June, we will open two programs for the families that have up to eight minimum wages: One will be used to purchase homes and the other to purchase construction materials. The ceiling for this financing is 6,400 reals, R, for the purchase of materials and R10,000 for the purchase of homes. These two programs will initially be implemented in Manaus, Recife, Joao Pessoa, Duque de Caxias [Rio de Janeiro State], Florianopolis, Barretos [Sao Paulo State], and Brasilia. Initially, these programs will be implemented in only a few cities. In a second stage, when the programs have already been tested, we will implement them nationwide. The universities will help the federal administration in the implementation of these two programs. [passage omitted]

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The so-called letter of credit program is another measure that we will adopt in order to help the people solve the housing shortage problem. Before 14 June, the Federal Savings Bank will reopen registration for groups of people interested in this program and will release a list of people who have been selected during the program's first stage, which lasted from 9 April to 31 May. This program benefits families earning from one to 12 minimum wages. It will be up to each family to decide whether they want to finance the purchase of a new or an old home, to build on a lot of land they already have, or to enlarge the home they already possess.

Another advantage is that the financing can be requested by an individual or a group. [passage omitted] The ceiling for this financing is R31,500.

I believe that you have been able to realize that we have changed the country's housing policy entirely. Now, you can choose what program you want and have direct access to the financing.

I am absolutely convinced that we are now helping those who indeed need help. This policy stimulates society's participation and assumes that everyone is entitled to a home. This was the proposal Brazil presented to the UN conference on housing and urban life — Habitat II — which is being held in Istanbul, Turkey.

Brazil: Significance of Bolivian Gas Pipeline Viewed

PY1106175396 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jun 96 p A3

[Editorial from the "Notes and Information" Page: "An Essential Decision on the Gas Pipeline"]

[FBIS Translated Text] The debate on the construction of the Bolivia-Brazil gas pipeline is important not only in the light of what was discussed during the "Petrogas" Seminar. It is also important from the viewpoint of the many things that were said about the situation of the Brazilian power system during a conference which, in Foz do Iguacu, debated on how to modify such system. Actually, the conference confirmed the fear that gas consumption will soon grow because of the difficulties — which are being expected — caused by a power shortage. The power generation situation is so difficult that, in Foz do Iguacu, Rede Group director Fernando Quartim Barbosa voiced concern that, claiming that there is an emergency, Eletrobras [Brazilian Electric Power Company inc.] may contract the construction of a big transmission line to interconnect the North and Northeast networks with those of the South-Southeast. The emergency could be justified by the low water level in the reservoirs of hydroelectric power plants.

The secretary general of the Mines and Energy Ministry has said that the situation of the reservoirs is serious: "It is not dramatic, but it calls for cautiousness," because reservoirs can now keep only an average 76 percent of their water volume. For this reason, it is necessary to adopt precautionary measures until the rains of spring beginning in October. For this purpose, the thermoelectric plants of the South and Southeast are being activated. They operate on petroleum.

The Foz do Iguacu seminar raised the issue of investments in the Brazilian energy system: this year, the country will need $6 billion, of which only $3.2 billion has been provided for. This last figure includes the $1 billion obtained with the privatization of Light [Power Services, Inc.]. Consequently, the lack of funds must be compensated for with foreign loans or private sector contributions. It is estimated that such funds will be used for completion of the plants whose construction has already started, especially in the state of Sao Paulo, and in some new plants for which the call for offers has already been made or is about to be completed. In the light of these facts, the point is to know whether, even after completion of the plants for which a call for offers is under way, the energy system will be able to operate without problems until 2010 (when natural gas will be a major energy factor) without having a thermoelectric system as back-up [preceding word in English], operating as a security valve in case of unforeseen drought or of consumption increases beyond official estimates. For current needs, according to the situation depicted in Foz do Iguazu, the existing thermoelectric plants (which operate on petroleum byproducts) seem to be sufficient. The problems is to consider the future, also taking into account the time for construction of the plants, either hydroelectric or thermoelectric.

There does not seem to be much disagreement over the fact that the use of natural gas is a feasible solution, which — from the viewpoint of the environment — can be surpassed only by hydroelectric generation (if one does not take into account the environmental impact caused by the flooding that is necessary for building the dams). There is a rather persistent debate on whether from an economic viewpoint it would be cheaper to build the Bolivia- Brazil gas pipeline or buy Russian or Argentine liquefied natural gas and, through distribution operations, take this gas to consumption centers, which will also end up calling for gas pipelines, although of smaller dimension. This possibility was raised during the Petrogas Seminar, but the superintendent of the Executive Group To Make Feasible the Bolivian Gas Project said he did not have confidence in the proposal. "If there were a real offer, I

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believe we should immediately make the purchase," he said.

In case of the Bolivian gas pipeline, the underlying problem is that of financing, which will almost surely be supplied by multilateral financial institutions. The presence of Petrobras [Brazilian Petroleum Corporation] as the majority partner (marking the state nature of the project) seems to have become a complicating factor in the debates on the problem. The foreign partners of the project cannot understand how the federal government, which wants to mark its presence in Brazilian political life as a promoter of privatization, has not yet decided who will actually manage — and obviously run — the project in Brazilian territory. The lack of a government decision, or rather the pressure that Petrobras is exerting in order to keep the position of majority partner in the project, is delaying studies, projects and details, in addition to promoting lobbies — possibly originating within Petrobras itself — that oppose the use of gas. The manager of Government Relations of General Motors do Brasil made a significant statement at a seminar in Rio de Janeiro, where he showed that despite all federal government efforts, the program of gas-driven vehicles is not being promoted.

Brazil: New Planning Minister Kandir Profiled

96SM0347A Sao Paulo ISTOE in Portuguese
5 Jun 96

[Article by Carlos Jose Marques and Guilherme Evelin: "The Kandir Factor" — received via Internet]

[FBIS Translated Text] *With his conciliatory style, the former disciple of confiscation [in the Collor administration] is taking over the Ministry of Planning and trying to accelerate the reforms.*

Kandir: "What we are going to implement in the ministry is continuity."

Seldom has such a difference in styles been seen in the replacement of one high-level official by another. The man who left was Jose Serra, the politician eager for power who quarreled with congressmen, antagonized fellow cabinet members, and rejected all requests for appropriations. The man who came in was Antonio Kandir, the technician of elegant speech and cautious manner who favors negotiation and temporization to the end and who surprisingly became a congressman in the wake of the unpopular Collor Plan. At 43 years of age, Kandir is now taking over the second most important job in the economic hierarchy of FHC's [Fernando Henrique Cardoso's] administration: the Ministry of Planning, which has regained status thanks to his predecessor Serra. The PSDB [Brazilian Social Democracy Party] deputy is thereby making the biggest play of his political career. He wants to wash away the blemish of confiscation that sullied his career when, as a member of former Minister Zelia Cardoso de Mello's team, he helped plunder the savings of Brazilians. Kandir is entering the Ministry of Planning making promises of diplomacy and carrying the banner of change without trauma. "What we are going to implement here is continuity," he says. And his words can be believed. The new minister's conciliatory temperament is the best guarantee of that.

No one should be surprised if, at the swearing-in ceremony on Tuesday the 4th, he observes a discreet celebration among the members of the economic team. The people at the Ministry of Finance in particular, with Minister Pedro Malan in the lead, did not conceal their discomfort over Serra's meddling in their affairs. The outgoing minister slammed the brakes on the policy of economic opening-up and never concealed his dissatisfaction with the overvalued exchange rate. In addition, he opposed the interest rate charged by the BC [Central Bank]. On those three points, the new minister's stand is somewhere between Serra's thinking and that of Malan. Satisfaction at having someone more attuned to the original ideas behind the Real Plan is reason to welcome the change of minister. Kandir was catapulted into the job by Fernando Henrique himself, thus upsetting predictions valid up to the last minute that the successor would be one of Serra's heirs: his executive secretary Andrea Calabi, for example, or the president of the BNDES [National Bank for Economic and Social Development], Luis Carlos Mendonca de Barros. Both men were supported by Ministers Sergio Motta (Communications) and Clovis Carvalho (Civilian Household) as well as by Serra himself. But Kandir charmed the president at a meeting about two months ago where he talked about the direction being taken by the economy. Ever since then, FHC had been trying to give his fellow party member more influence.

For his part, Serra, who resigned the post and is now running for mayor of Sao Paulo, has no complaints about the fact that someone other than those he preferred was chosen. The effort is being made to show that everything is peaceful at the headquarters of the Real Plan. "Personally, I am quite satisfied," the former minister said, making the conventional comment. Kandir was a student of his while studying for a master's degree in economics at Campinas University. But the disciple thinks differently than his teacher and loses a few points to the latter, especially when the subject is the budget, the touchstone of FHC's administration. Serra was a master on the subject, although he was unable to impose a realistic budget. The mission of modifying that work of fiction is not exactly Kandir's spe-

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cialty. Added to that challenge is the almost laughable need to contain the public deficit by reducing it from the 7 percent recorded in 1994 to 4 or 5 percent this fiscal year. The merits of the new minister of planning are a greater penchant for privatization than his predecessor had and an obstinate desire to increase exports.

While in Congress as a deputy, where his political apprenticeship was meteoric, Kandir racked up a number of achievements. He was outstanding as rapporteur for the changes made to personal and corporation income tax; at the request of the Ministry of Finance, he made a study of regulation of the financial system; and he took responsibility for the bill to exempt exports from taxes. Over the past few months, because of his work on the committee on tax reform, he has come to be admired by congressmen of the most varied political hues from the country's northeastern bloc to that of its southern region. When it was necessary to become more flexible in his stands, he was an expert at negotiation. In all areas, both in political life and out of it, he strengthened that image. "He engages in dialogue and is familiar with present-day problems," says Carlos Eduardo Moreira Ferreira, president of FIESP [Sao Paulo State Federation of Industries]. Despite his past mistakes, Kandir is managing from the start to attract the unanimous praise that is common for newcomers to the cabinet. "The new minister was smart enough to overcome a bad situation and dissociate himself from Zelia's negative image. Fernando Henrique made a good choice," said former Minister Joao Paulo dos Reis Velloso, who is almost a patriarch of the Ministry of Planning. Delfim Netto, another former occupant of the ministry, agrees: "I can guarantee that the administration will not grow worse; the mistakes of the past are benefits for the future." "Since the confiscation episode, he has been taking excellent advantage of his experience in Congress," says Miguel Jorge, vice president of Volkswagen.

Present with everyone is the bitter memory of the freeze [on bank accounts] under the Collor Plan. To them, the new occupant of the Ministry of Planning responds calmly: "That was a specific historical situation, and it has absolutely nothing to do with what we are experiencing today." And in fact, the Brazil in which Kandir is becoming a minister is very different from the one in which Collor was setting the tone. With a government that is more balanced politically and without the crucial drama of inflation, a promising environment awaits the former secretary. Kandir is remembered by former colleagues as a guy who has brilliant ideas and an atavistic attachment to work. Former Minister Zelia gushes: "He is an excellent choice: a person of high caliber and a sweet person." Ibrahim Eris, former president of the BC, says in an overstatement: "He is a guy with solid training in economics and a lot of executive and legislative experience." Kandir, the son of Armenians who cultivates such virtues as patience and perseverance, is having his second experience in the executive branch as he heads a ministry that was at its peak under the military governments.

What the New Minister Thinks

Inflation—Kandir rules out a return of inflation to the levels it reached prior to the Real Plan, the reason being the good level of foreign exchange reserves and the progress made in deindexing the economy.

Constitutional reforms—He is of the opinion that blocking the reforms will not cause any shocks to the plan in the short term. But he believes that without the reforms, stabilization of the economy will be the victim of slow and gradual death throes brought on by the low levels of foreign investment and the worsening of unemployment.

Public deficit—Social security is the chief factor throwing the federal accounts out of balance, and a social security reform eliminating the privileges and injustices of the system is absolutely essential for fiscal adjustment.

Tax reform—He shares the opinion that the tax system is responsible for the lack of competitiveness of Brazilian products and supports the exemption of exports from taxes.

Privatization—He is a fervent defender of privatizing at a faster pace. But he believes that opening up the economy is something that must be done with caution.

Interest rates—Like Serra, he is a fierce critic of the interest policy. But unlike his predecessor and because of his own pleasant style, he will probably not clash head-on with the economic team on that issue.

Brazil: Impact of Kandir's Appointment Assessed

96SM0347C Rio de Janeiro JORNAL DO BRASIL in Portuguese 5 Jun 96

[Commentary by Dora Kramer: "Without Turmoil or Radical Moves" — received via Internet]

[FBIS Translated Text] With Antonio Kandir's swearing-in yesterday, President Fernando Henrique gave shape to the administration which he hopes will work until December. According to assurances given yesterday by ministers privy to political discussions at Alvorada Palace, there will be no significant changes before the results of the second round in the municipal elections are known.

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But an important reshuffle is planned for the end of the year, and it will take into account the election results, plans for the last two years of this administration's term—when the constitutional reforms and the support of three-fifths of Congress will no longer be an issue—and the prospects for including the reelection amendment on the agenda.

Replacements for the second-level officials who also resigned to run for office will not be of major political significance. Over the next six months, according to assessments made yesterday by politicians close to the president, the objective is to deal with the reforms to the extent possible with the rank and file now more solidly rooted in the administration.

That reasoning is based on the fact that in this recent reshuffle, the president made important gestures in the direction of all the parties supporting him.

The part of the PPB [Brazilian People's Party] that allied itself with the administration was rewarded with the appointment of Francisco Dornelles to the Ministry of Industry and Commerce. The PFL [Liberal Front Party] was given attention through the choice of Benito Gama to be government leader in the Chamber of Deputies. The PMDB [Brazilian Democratic Movement Party] now has Luis Carlos Santos in an important position. And the PSDB [Brazilian Social Democracy Party] bloc, which was demanding a place in the administration, has been quieted by the appointment of Antonio Kandir.

Yesterday, to show how politically stable the country is, individuals with access to Fernando Henrique specifically mentioned Jose Serra's successor in the Ministry of Planning as one proof of that thesis. With the period of great turmoil over, they said, the administration is in sound condition. The president was visiting France, a minister of Serra's stature resigned, planning is an important area of the economy, and the country held its course. "What happened in the stock market? Nothing."

According to the optimistic version, which took into account those present at the new minister's swearing-in ceremony, even the reforms now have a better chance. And that expectation is due to more than a kind of relaxation engendered in Congress by Serra's departure. According to pro-government analyses, social security reform did not pass because it would have caused trouble for politicians on the campaign trail. The reform of the moment is administrative reform, and the changes it calls for would be welcome at political rallies.

The politicians are reportedly convinced that most voters disapprove of the privileges enjoyed by corporatist bodies.

Kandir's entry into the administration was interpreted as providing reinforcement for the task of making it possible to take up tax reform again. Unlike administrative reform, tax reform is opposed by the governors, and its chances are not likely to improve in a period when, as everyone recognizes, administration plans will be determined by the election campaign.

Brazil: Roundup of Economic Reports Through 11 Jun

PY1206032896

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 11 June:

FINANCIAL OPERATIONS

Investments in Rio de Janeiro Noted — The state of Rio de Janeiro will receive this year $1.220 billion worth of foreign investments, which represnts nearly 40 pecent of everything that will be invested in the industrial sector. In 1995, of the $1.8 billion invested in Rio de Janeiro industries, $1.6 billion came from national capital. Moreover, 2 of every 3 jobs of the 7,709 that will be created this year will come from foreign investors. Besides what is already planned, an additional $4 billion is under negotiation, including new Volkswagen and Asia Motors factories. The state of Rio de Janeiro offers great infrastructure advantages. The port of Sepetiba is being enlarged, as well as the international airport cargo terminal, said Charles Rossi of the Rio de Janeiro industrial federation. The following companies plan to make investments in Rio de Janeiro: Volkswagen, $300 million; Glaxo Wellcome, $120 million; Guardian Industries, $120 million; Schindler, $12 million; White Martins, $120 million; Knoll/Basf, $37 million; L'Oreal, $25 million; Latasa, $50 million; Pepsi Baesa, $30 million; World Dreams/Zenith, $60 million; Smithkline, $50 million; Bayer, $73 million; Xerox, $30 million; Michelin, $60 million; Nestle, $15 million; Cyanamid, $30 million; Thyssen, $25 million; Sanofi Winthrop, $7.25 million; Fleischman Royal, $5.2 million; Coty, $8 million; Cisper, $10 million; Johnson Wax, $3.5 million; Parmalat, $2 million; Du Loren, $3 million; and Yakult, $25 million. (Rio de Janeiro O GLOBO in Portuguese 9 Jun 96 p 42)

Venezuelan Oil Company Seeks Partnerships — With the deregulation of the Venezuelan oil sector in April, that country is seeking partners for future projects. Venezuela, which expects a $60 billion investment in the oil industry, intends to increase its production from the current 69 million barrels of oil per day to 82 million barrels by 2005. To support this growth, Venezuela intends to obtain more clients for its oil. Venezuelan

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Petroleum Inc., PDVSA, Director Jose Toro Hardy, who visited Brazil last week, believes that Brazil should become an important ally in this effort. Venezuela, which intensified its trade with Brazil recently, increased its oil exports to Brazil from $400 million to $700 million last year. PDVSA is planning a partnership with Petrobras, Brazilian Petroleum Inc., to build a new refinery in northeastern Brazil involving a $1.4-billion investment. The objective of this partnership is to guarantee oil supply contracts. PDVSA also hopes to engage in a partnership to produce "orimulsion," a fuel oil developed by the company out of very heavy oil that is abundant in the Orinoco region. Nearly 30 percent of the composition of this oil is water and its price is only 10 percent of that of regular oil. Venezuela sees in Brazil a great potential buyer because this fuel is widely used to generate thermal electricity. Brazilian experts, in turn, believe that thermal electricity generation will increase considerably with the arrival of foreign capital through independent producers. (Sao Paulo GAZETA MERCANTIL in Portuguese 10 Jun 96 p A10)

Industrial Sales Increase — Industrial sales increased considerably in April, according to the National Confederation of Industry, CNI. Sales increased by 10.41 percent in April in comparison with March. This was the highest result registered from one month to another since April 1992. In comparison with April 1995, industrial sales increased by 5.69 percent, while the industrial employment rate dropped by 9.93 percent. The number of hours worked increased by 3.79 percent and real net salaries dropped by 0.28 percent in April in comparison with March. (Sao Paulo AGENCIA ESTADO in Portuguese 1736 GMT 11 Jun 96)

Private Firm Selling Notes in Europe — Gerdau Metalworks Industry is selling $150 million worth of promissory notes in the European market through an operation mediated by the Chase Manhattan Investment Bank, registered in the stock exchange of Luxembourg. This operation, guaranteed by Aconorte Industries, controlled by Gerdau, was confirmed during a special meeting of the Aconorte board of directors at the begining of May. (Sao Paulo AGENCIA ESTADO in Portuguese 1713 GMT 11 Jun 96)

FISCAL, MONETARY ISSUES

Government Implements Budget Cuts — President Fernando Henrique Cardoso signed, on 7 June, a decree establishing a 3.5 billion real, R, budget cut from the government operational and investment expenses established by the budget bill approved by Congress. The R15.4 billion initially earmarked for operational costs was reduced to R14.4 billion, while investment expenses were reduced by 50 percent, thus dropping to R2.5 billion. The cuts were determined after income estimates indicated a reduction of the fiscal income from R115 billion to R95 billion. Lower inflation and growth rates than what had been initially estimated have prompted the administration to implement the budget cuts, which will not affect expenses for personnel, interest payment and transferences of funds to states and municipalities. According to the new estimate, operational and investment expenses — which include transference of funds to the Unified Health System, SUS, and payment of electricity, telephone, paper supply, and other bills — will amount to R14.8 billion by the end of December. The ministries, however, will be entitled to appropriate expenses by up to R16.9 billion. The R2.1 billion difference will be paid in 1997 as "difference to pay." The only area that was not cut was health. The SUS will receive R7.8 billion, which represents 44 percent of the total government operational and investment expenses. The Budget Guidelines Law, LDO, approved in 1995, determines that by 30 May, expenses involving income not spent should have been cut. This is why operational and investment expenses from the original budget dropped from R26.4 billion to R16.9 billion. According to Planning Minister Antonio Kandir, the budget cut reduces expenses in relation to the budget. The expense level, he added, remains the same as what was effectively disbursed in 1995. National Treasury Secretary Murilo Portugal said that in reality there has been a 10 percent nominal increase of expenses, including inflation, in relation to 1995 expenses. The decree also introduces a budget management innovation ending the disbursement restrictions practiced by the National Treasury up to the present. For the first time, the ministries will receive a realistic limit of annual expenses and quarterly ceilings to what will really be disbursed by the treasury. The new system allows the ministries to know exactly how much money they will receive in the following quarter. (Sao Paulo GAZETA MERCANTIL in Portuguese 7 Jun 96 p A2)

Chile

Chile: Government Condemns PRC Nuclear Testing

PY1106135896 Santiago LA TERCERA DE LA HORA in Spanish 10 Jun 96 p 15

[FBIS Translated Text] On behalf of the Chilean Government, Foreign Minister Jose Miguel Insulza has condemned the PRC's nuclear testing.

Insulza has stated that negotiations on a treaty banning nuclear testing are "in a most critical phase and this detonation constitutes a retrogression and a challenge to the international community."

The Chilean Government expects that the PRC will think twice about its project to conduct a new nuclear

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test in September and that it will declare an immediate moratorium on further nuclear tests so that negotiations of the aforementioned treaty to definitely end these detonations may be brought to a speedy conclusion.

Chile: Daily Evaluates U.S. Reaction to OAS Decision

PY1106215596 Santiago EL MERCURIO in Spanish 11 Jun 96 p A3

[Editorial: "Objections to the Helms-Burton Law"]

[FBIS Translated Text] By an overwhelming majority, the OAS decided to ask the Inter-American Juridical Committee if the U.S. Helms-Burton law, which punishes those that use assets that were confiscated by the Fidel Castro regime, complies with international law. The voting involved 32 of the 34 OAS members, 23 of which voted for the motion. This created a strong reaction from the U.S. representative.

The Helms-Burton law seeks to harden the U.S. embargo on Cuba, which goes back to the 1960's. The law allows Cuban naturalized U.S. citizens to sue foreign companies which bought assets that were expropriated from them by the Castro regime, and prevents those who bought those assets from getting visas to enter the United States. The U.S. legislation was approved last March following the deaths of four members of the anti-Castro Brothers To the Rescue organization when the Cuban Air Force shot down two light planes.

President Bill Clinton opposed that legislation on the basis that it went against international trade regulations and restricted the ability of the executive branch to negotiate with Castro. After the planes were shot down, Clinton decided to support the legislation. The State of Florida is a key element in Clinton's reelection plan because the political influence of the Cuban community in that state is considerable.

This is why Washington is annoyed with the OAS decision. Yet the reaction of the U.S. representative surprised everyone due its unusual virulence. Harriet Babbitt said she was annoyed over what she considered a hasty vote during the last minutes of the session. Beside labeling the vote "diplomatic cowardice," she asked if some countries were not ashamed "over strongly denouncing a domestic law yet lacking the moral and political courage to denounce a totalitarian dictatorship." Although the U.S. representative did not identify the countries that should feel ashamed for the almost unanimous support for the adopted measure, it can be presumed she referred to the rest of the continent.

The legality of the Helms-Burton law is at least debatable, as was suggested by the White House at first. The reaction of the U.S. representative to the OAS vote seems exaggerated because this organization only asked for a legal study on this issue. It should also be recalled that the United States is exposed to a similar accusation by maintaining trade relations with China, while it does relatively little to denounce that totalitarian dictatorship.

Chile: Santiago To Host Summit of Americas Meeting

PY1106222596 Santiago EL MERCURIO in Spanish 10 Jun 96 p A3

[Editorial: "Summit of the Americas"]

[FBIS Translated Text] A meeting of the heads of state and government of the Americas is not an everyday occurrence. Since the crisis of the old interventionist Pan-Americanism and its successor, the Inter-American system — which fell into disrepute — there have been very few occasions when the world scene has been occupied by top level hemispheric meetings. The leading world power had other priorities, and, as [Henry] Kissinger once said at a OAS meeting in Santiago: in matters of regional policy, one learns by doing.

The First Summit of the Americas sought to cherish the hope of a new era, an era which will probably be more reliable that the fireworks that surrounded the Alliance for Progress. Assembled in Miami at the end of 1994, the top representatives of the Americas pledged to jointly formulate a blueprint which included democracy, development, and particularly a free trade area throughout the Americas. In times of globalization, market economy, and free-trade, the establishment of the largest free trade area in the world by 2005 was — and still is — a most significant objective and commitment.

The Miami summit agenda — which first sought to incorporate Chile into NAFTA followed by all other countries of the hemisphere — became bogged down in the U.S. electoral process. Efforts were made at the recent OAS General Assembly in Panama to reactivate the Miami agenda despite palpable differences between the United States and all other OAS member states over the Helms-Burton Law.

A second summit of heads of state and government of the Americas has been convened for the end of 1997 or early in 1998 on the basis of the various reports on the 1994 Action Plan. The venue for this summit meeting is Santiago, which is both an honor and a responsibility. It is also a diplomatic success, which should be underscored, because Chile was unanimously chosen as the venue for the summit, having been recommended by the influential Rio Group.

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The summit of heads of state and government of the Americas will follow the summit of the Ibero-American presidents, which will also be held in our capital [in November 1996]. The presence of the most outstanding hemispheric leaders is of great significance among our international achievement and prestige. It remains to be seen, however, if this meeting can attain the ambitious objectives set forth, because the future of the Inter-American system — and for Chile, its accession to NAFTA — may depend on the attainment of these objectives.

The success of the summit meeting will depend, to a large extent, on the policy pursued by the new U.S. administration over free trade and its partners from the western hemisphere. Furthermore, progress by Mercosur [Common Market of the South] — the broadest dimension of Latin American integration — and prospects for the incorporation of one or more of the most influential countries of the region in this endeavor will also carry considerable weight.

Colombia

Colombia: Article Views U.S. Position on Cuba, U.S. Law

PA1206015896 Santa Fe de Bogota EL TIEMPO in Spanish 9 Jun 96

[Article by Santos Calderon, EL TIEMPO assistant director: "What is Going on With the United States? The OAS Shakeup. Two Policies Toward Colombia" — received via Internet]

[FBIS Translated Text] The tremendous shakeup the United States has suffered at the OAS may be read and interpreted in may ways. Some believe that it entails an endorsement of Fidel Castro's political regime in Cuba or that it expresses some kind of solidarity with the continent's corrupt governments having friction with Washington today.

There is no room for discussion, but this event is one without precedent. The member countries of the OAS, that contemptible "ministry of colonies" Fidel Castro himself reviled 30 years ago, have unanimously rejected the Helms-Burton law, which intensifies the economic embargo on Cuba and threatens to sanction governments and companies that do business with Havana under conditions different than those Washington has outlined.

The United States had never been left so alone in the most important forum for inter-American relations. The fact that it was over Cuba, the only country that was and continues to be expelled by the OAS, simply underscores the significance and singularity of this development.

It is a situation reflecting the clumsiness, arrogance, and shortsightedness of the foreign policy of the world's only superpower. Perhaps because of this fact, because it feels its economic and military supremacy is unchallenged, it falls into the temptation of imposing single patterns of conduct in the areas of politics, economy, and even of cultural values on a heterogeneous and diverse world. One has to ask, therefore, what is going on in the United States for this to happen to it, for it to have experienced such a setback in a scenario it always has dominated, and also for it to end up pitted against several of its best, commercial allies (Canada, the EU, and almost all Latin America) over Cuba.

Indirectly it is an undeserved, political triumph for Fidel Castro prompted not so much by his virtues or that of his dictatorial regime than by the incoherence of a policy for the entire world dictated for domestic, electoral purposes.

It also constitutes a mockery, a flagrant denial of the principle of free, international trade the United States defends as an essential ingredient of its democratic vision. This denial is one that has driven it to the unaccountable position of fighting its enemies (Cuba, for instance) by punishing its friends.

This is what also happens when, owing to the circumstances of domestic policy, an old, reactionary, southern boss such as Senator Jesse Helms, the perennial representative of South Carolina's tobacco industry, succeeds in becoming the main spokesman of the foreign policy of the U.S. Congress.

Inspired by theoretically noble causes, such as pressuring for the democratization of Cuba, the practical effect of the Helms-Burton law is that it strengthens Castro's regime by providing him with nationalist arguments that make it easier for him to close ranks against the Yankee enemy and strike the fragile, internal, democratic opposition.

The effects are as contradictory as, to get closer to home, those achieved by the international war on drugs the United States has been waging for 25 years without major results.

The strengthening or metamorphosis of the drug trafficking mafias, the diversification and growing internationalization of this trade, the billions of dollars spent on repressive policies that weaken the democratic structure of the states while at the same time increase the earnings of the most lucrative of illegal businesses constitute proofs that the uncompromising policy of interdiction alone cannot resolve the problem of drug trafficking in the world. It has been a true strategy of costly and repeated failure for several decades.

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Getting to the heart of the matter, the inconsistencies in the U.S. policy against drug trafficking in no way alleviate our particular situation. To know it is unfair, arbitrary, and misguided brings no consolation, because with us the matter has another price.

Justly or unjustly, Colombia today symbolizes the country with which the United States can set an example and set an international precedent. In an electoral campaign, the only thing Clinton, who is already criticized for being liberal and weak, cannot allow himself to be accused of is being "soft on drugs." He is not going to allow it, and, in addition, does not have to pay any political cost for attacking Colombia or, better yet, the government that for our misfortune represents the country's image. On the contrary, he reaps political dividends by demonstrating he is not prepared to tolerate a regime most of the international community already describes as a "narco-democracy."

Things will get rough. We are not mistaken about this. There have never been so many high-level meetings on Colombia before. Two policies are perceived in this case, the "soft policy," embodied by Ambassador Myles Frechette who prefers sanctions in the more or less selective area of visas instead of measures that can undermine the economy and hit honest businessmen.

There is the position represented by Robert Gelbard and other harsher figures who feel there is no room for any deal with a government such as Samper's that has to become an example in order to send a resounding message to the international community.

As part of this policy, there could be economic sanctions ranging from the suspension of tariff preferences and the levying of 20 to 30 percent surcharges to the blockade of air traffic and electronic transfers.

We are exposed to that. In the face of what Juan Tokatlian has called the U.S. "moral imperialism," the least advisable thing would be to respond with narco-terrorism. That would really amount to digging our own grave faster.

Colombia: Ties With U.S., Fight Against Drugs Viewed

PA1006215096 Santa Fe de Bogota EL TIEMPO in Spanish 10 Jun 96

[Report by Fernando Cepeda Ulloa — received via Internet]

[FBIS Translated Text] This week, relations between the United States and Colombia will be affected by decisions that will have important consequences. To some, it may seem illusory to speak about relations between the two countries, considering the evident divisions of the federal bureaucracy in Washington. It is well known that the United States does not have a monolithic position because the U.S. Government is very complex and responds to many interests. In the end, it is a confederation of 50 states, any one of these states is more powerful than Colombia. A dramatic example of these different points of view is what occurred during the recent Bilateral Trade Commission meeting.

According to Commerce Minister Morris Harf's version, there was a clear confrontation between the person responsible for foreign trade and U.S. Ambassador to Colombia Myles Frechette. There were two opposing views regarding the role of Colombia in the struggle against illegal drugs. This is normal, however, although it is not often discussed publicly. The cooperation between the two countries is being revised under conditions charged with threats and rumors.

It seems useless to exhort the officials responsible for making these decisions to pause and allow for an intelligent, non-conflicting, solution to this important issue. Nevertheless, unrealistic as I may be, I do not hesitate to exhort such a pause from the two governments, and from the powers that have some influence on this issue. Many important things are at stake. Our democracy, our state of law, public tranquility, and not less important, the struggle against the mafia. It is hard for me to believe that we are unable to establish a clear, viable, and efficient strategy to take advantage of one of the best moments (another illusion?) in the struggle against drug trafficking.

What is occurring is paradoxical. Without a doubt, this is one of the best moments in the struggle against the cartels, in the strategy against drug trafficking and the effort to eliminate money laundering and discredit and eradicate the mafia culture. The new strategy in the United States against drug trafficking seems to be more forceful by concentrating efforts in an internal struggle, in the United States, to reduce drug use, and, above all, to prevent an increase in drug use among casual and permanent users. Persons who have valuable information to make this struggle more effective are in jail in the United States and Colombia. Why not maximize the current possibilities to advance in a struggle, which many begin to say has been lost and is useless?

In some circles in the United States, the fact that Colombia is shaking off the attitude that allowed the mafia to penetrate into almost every sector of Colombian society is being ignored. Failures in this area are not a reflection of the future, but of a past that we are overcoming. A tangle of complicity, complacency, and

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silence cannot be undone in one day. It makes no sense, however, to scorn the positive side of what is occurring.

Because we have become entangled in an unproductive quarrel, are we going to pass up this opportunity to infuse more energy and efficiency into the struggle against the mafia? Is this, perhaps, just another illusion? Should I join those who predict that the struggle against drug trafficking is and will continue to be a failure?

No one is asking for tolerance for narco-corruption activities in Colombia. What we are arguing is that we cannot endanger that struggle. What, is this old hat? Yes, it is. Traditionally, the United States and Colombia have agreed in their belief that a antagonistic relationship only benefits the mafia. We hope that this fact will continue to be understood, above and beyond those situations that can be overcome.

Colombia: Administration Said Waging 'Dirty War'

96SM0360A Santa Fe de Bogota SEMANA in Spanish 11 Jun 96

[Commentary by Maria Isabel Rueda: "Dirty War" — received via Internet]

[FBIS Translated Text] Among us honest citizens, who wake up every morning with the feeling that the country is worse off than it was the night before, among those of us who frankly believe that the president is guilty of having sold his presidency to drug traffickers, among those of us observing with incredulity his dangerous clinging to power, among those of us citizens comprising half of the Colombian people, who are morally and mortally shattered, an additional concern is beginning to be spread. It relates to the dirty war being sponsored by the government, appearing before our eyes like a genuine horror film. The sinister operation has started out with one premise: since it is impossible to prove Samper's innocence, it is necessary to do away with his enemies, by searching through their closets.

For this purpose, among other things, a division was created in the DAS [Administrative Department of Security], called the URI [not further identified]. Expensive telephone interception systems have been acquired, making us shudder to think of which telephones they are aimed at. And, concurrently, a selective espionage system has been initiated to invade the private lives of the president's enemies. To date, it has brought such concrete results as an anonymous letter circulating in the country to show that the most honorable Monsignor Pedro Rubiano, archbishop of Bogota, has a brother and a nephew who have faced problems with the justice system. Its argument is that this disqualifies him as a moral spokesman in the midst of the national disaster. This would be like saying that journalist Daniel Samper, whose strict sense of ethics is recognized by everyone, is finished because he is Ernesto Samper's brother.

Of course, I have no proof revealing which official is behind the publication of the anonymous letter against Monsignor Rubiano, nor indicating who distributed it in the halls of Congress and leaked it to the newspaper owned by the Cano family. But what I am certain of is that this information, tarnishing the prelate, did not result from a spontaneous discovery by EL ESPECTADOR's investigative unit.

The dirty war also has been confirmed by other incidents. Representative Martha Catalina Daniels presented to the Chamber, for the president's defense, a folder containing complete information on the contents of the computer diskettes seized from Fernando Botero's gringo female adviser. Who, if not the DAS, could have turned it over to be used in the president's personal defense? Some invisible hand (because Martha Catalina is no spy) also provided information to eliminate representative Maria Paulina Espinosa, a virulent critic of the president, on account of the actions of her ex-husband, Byron Lopez. It used the argument that having been married years ago to a controversial man disqualifies her from accusing the president.

They are driving Doctor Hernan Echavarria Olozaga mad, investigating his life history. They are going around asking about his son, like a needle in a haystack, to find out whether there is any transaction in his private aircraft sales activity worthy of appearing in some anonymous letter.

Rumors have been circulated against the police director, General Rosso Jose Serrano, who is viewed with suspicion from the presidential top echelon for his independence and upright character. They cite one of his sons' relationship with the owners of the infamous Andy Ross jewelry business.

The fiscal inquisition has been resumed against the Cali business owners who have unreservedly assumed their patriotic responsibility in the matter involving the president.

Against the ex-candidate, Andres Pastrana, who has been examined ad nauseam, exultant gratification has been expressed in presidential palace circles that one of his best friends and financiers proved to be linked to a dollar laundering scandal. And that is not all: information is being provided from the presidential palace to discredit him. Thus far, the authorities' accusations implicate Mr. Harry Beda only during his last eight months of activities. With respect to him, Pastrana issued a frank communique in which he admits the bonds of friendship,

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and expresses his hope that satisfactory explanations of Beda's conduct can be given to the authorities.

And why return to the false witnesses from the Attorney General's Office, pulled out of the hat to tarnish the prosecutor general's name? It is only useful to stress that clandestine monetary aid was given to one of them by the General Secretariat of the Presidency. When discovered, this was explained, in an unheard of manner, as "a humanitarian work"—something which over 10 million Colombians would like to obtain from the presidency but, unfortunately, they do not meet the requirement of having information that could damage the prosecutor general or some other enemy of the president.

And as if the preceding were not enough, a week ago the U.S. ambassador, Myles Frechette, himself, was a victim of the secret surveillance of the DAS agents sent to spy on all his movements during a visit to Medellin. The ambassador complained of this espionage to the police director and to Foreign Minister Rodrigo Pardo, and called the DAS director personally to protest the same action. From this latter conversation, Frechette received confirmation of the URI's existence. The possibility is not precluded that, in a forthcoming report on human rights, the ambassador may include the URI as evidence of how the rights of the opposition in Colombia are being violated.

From these and other examples, the government's intention of blackmailing Colombians who are not on Samper's side is obvious. The purpose is to save the president, arguing that all of us in Colombia are bribed, and that no one can cast the first stone.

Colombia: Witness Says Samper Received Drug Money in 1989

PA1106151696 Mexico City NOTIMEX in Spanish 0355 GMT 11 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 10 Jun (NOTIMEX) — A DEA informer, whose testimony was presented by a local newscast, said today that Colombian President Ernesto Samper received money from the Cali cartel in 1989.

A Colombian woman, whose identity was not disclosed and who was referred to only as "Maria," said that in 1989 Samper received a large amount of U.S. dollars during a meeting with Cali cartel kingpin Gilberto Rodriguez Orejuela and the now deceased kingpin Jose Santacruz Londono.

At the time, Samper made a commitment to work to eliminate an extradition treaty between Colombia and the United States, a treaty which had served to send to U.S. courts several Colombians accused of drug trafficking. This extradition treaty was eliminated nearly two years later by a Constituent Assembly, which drafted a new Colombian Constitution. It has since been alleged that the treaty was eliminated under pressure from the drug trafficking mafias, which at the time were very active and had perpetrated serious bomb attacks. Several Constituent Assembly members reportedly were bribed, too.

This new scandal has emerged at a time when the Chamber of Representatives is in the final stage of an investigation on Samper, who has been charged with receiving large sums of drug traffickers' money for the campaign that took him to office in 1994.

The "TV Today" newscast presented "Maria's" testimony and a 1989 photograph which, the newscast said, can prove Samper's ties with the drug mafias at least seven years ago, when he was the presidential hopeful for the Liberal Party. In the photograph, Samper can be seen embracing Elizabeth Montoya, known as "The Wily Blond," accused of dealings with the criminal drug gangs.

She was murdered in northern Santa Fe de Bogota last year while apparently preparing to testify against Samper.

In the same picture can be seen Fernando Espinosa, then Cali customs official and reported public relations official of the Cali cartel.

Reportedly, the photograph was taken in an apartment owned by Espinosa and before opening a "work meeting" with Montoya as Samper's finance manager in Cali and Espinosa as his chief of operations.

Local press sources believe that it was on that day that Samper met with Rodriguez Orejuela and Santacruz Londono and received some $800. [figure as received]

According to Fernando Botero, former defense minister and the most prominent accuser of Samper, the photograph was found during a raid on an exclusive Cali hotel.

Botero first disclosed the photograph's existence in a weekly column he calls "From My Cell," through which he reports on Samper's reported dealings with the drug trafficking kingpins.

The "Wily Blond" became notorious in Colombia one year ago when investigators disclosed the existence of a recording in which she talks in a friendly manner with Samper — then candidate for president — and offers him a costly ring as a gift for his wife Jacquim.

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According to the legal files, however, her ties with drug traffickers go back at least a decade. So much so, that in 1989 — the time of the photograph — she was already under investigation in Colombia. She had been arrested in the United States for possession of drugs.

As for Espinosa, it was said that, at the time of the photograph, he had a close relationship with brothers Gilberto and Miguel Rodriguez Orejuela, who are serving time in a Santa Fe de Bogota prison after confessing to have trafficked in drugs.

According to "Maria's" testimony, it was Espinosa who put Samper in touch with the Rodriguez Orejuela's to obtain financing for Samper's campaign as presidential hopeful for the Liberal Party. In that campaign, Virgilio Barco was elected president.

Espinosa, involved in obscure customs and illegal drug dealings, was murdered in his office in December 1989 by a man who fired with amazing calm and then left without anyone daring to intercept him.

"Maria," who talked with "TV Today" over the telephone from the United States, recalled that she met Espinosa through a friend.

"The friend thought I had good contacts with the Cali cartel. He introduced me to Espinosa as a person who could help get money for Samper's campaign," she continued.

She recalled that the reported meeting between Samper, Espinosa, one of the Rodriguez Orejuela brothers, and Santacruz Londono was held shortly after Luis Carlos Galan, the strongest candidate for president, was assassinated in August 1989.

"I told Fernando (Espinosa) that I would introduce him to people, that I could help him meet the cartel leaders," she said, and added that Espinosa was "a very good" friend of Samper.

Asked why she was at the meeting, the informer replied: "Because Fernando invited me in so I could see if money was handed over. He wanted me to tell the northern Valle department cartel people what I had seen."

"I saw Samper receive money in Fernando's apartment," "Maria" said flatly. She said that the drug traffickers handed over to Samper two executive-type suitcases and that Samper personally took them to his car.

Colombian journalist Gerardo Reyes, who works for the newspaper NEW HERALD, said he knows "Maria" and interviewed her once, a fact that renders groundless Samper's associates' report saying the informer "does not exist."

Narino Palace, site of Colombia's presidency, has made no statement about "TV Today"'s report, which unleashed a new scandal with Samper as the center of attention.

Colombia: Government Prepares For Possible U.S. Sanctions

PA1106141796 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 11 Jun 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] The government of President Ernesto Samper has already started preparing itself to face the situation of likely sanctions against Colombian products in the United States as a result of the decertification.

The executive branch issued a communique announcing that, if there are tariff-related punishments, it would be willing to economically compensate exporters. The U.S. Government could impose economic sanctions [passage indistinct] the official report estimates the additional costs [sobrecosto] that would result from an increase [words indistinct] Colombian products at $30 million, approximately 30 billion pesos.

The Narino House communique added that the likely commercial sanctions would have effects [words indistinct] with the United States [passage indistinct].

Colombia: Representatives Declare Recess in Samper Trial

PA1106192796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 11 Jun 96

[Report by Fabio Callejas; from "The Midday Newscast"]

[FBIS Translated Text] At noon today, the Chamber of Representatives was forced to declare an unexpected recess during the 13th session of the trial of President Ernesto Samper Pizano. A slight incident occurred when the representatives whose names had been included in the list of speakers failed to show up in the morning, apparently because they would rather speak in the afternoon.

Finally, Dr. Carlos Ardila Valle was called to speak, because he was the only one of the listed speakers present. Nevertheless, he announced that he would speak only if the other speakers whose names had been called were denied the floor later.

Chamber of Representatives President Dr. Rodrigo Rivas explains the incident:

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[Begin recording] [Rivas] Apparently, all the representatives want to speak last. I will meet with them to try to arrange an order of speaking. If I fail to establish this order, however, the Chamber's Board of Directors will propose a mechanism involving either a drawing or offering the floor to the speakers again. Those who finally fail to show up will not be allowed to speak.

[Reporter] Some of the listed parliamentarians have asked why the Board of Directors [words indistinct] this list of speakers, considering that those lawmakers called to speak were here, but had hidden themselves when (?their names were called).

[Rivas] You saw what happened. Some speakers, including Ardila, were present, but said they still were not prepared. [end recording]

The representatives whose names were called but were absent include Eliecer Meneses, (?Emilio) Betancur, Mario Rincon, Dario Martinez, and Carlos Alonso Lucio.

In addition, the government has said that the trial of Samper at the House of Representatives is proceeding seriously. Government Minister Horacio Serpa has described as interesting the debate [three-second break in reception] expected effort by some sectors to pressure the representatives' decision. In a stance that he described as [words indistinct] war, he said the enemies of the government are trying to muddle the situation to take advantage of it.

He again ruled out the possibility of Samper resigning if the Chamber of Representatives acquits him. Serpa said that Samper has not contemplated this possibility, and that it is even less likely if the Chamber acquits him.

Colombia: Liberal Party Official on Samper Probe

PA1206005496 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1715 GMT 11 Jun 96

[Report by Rodolfo Mejia Fontalvo; from the "Midday Newscast"]

[FBIS Translated Text] Barranquilla — We will not be ousted from the National Directorate of the Liberal Party, codirector Ines Gomez de Vargas said today in response to criticism generated by her position that the Senate should investigate President Ernesto Samper for dishonorable behavior. She said she anticipates a forceful eviction of the party leaders who think differently from those who favor acquitting Samper. She added that it has been demanded that the investigation continue and that attempts are being made to gag those who oppose Samper:

[Begin Gomez recording] Certain people have requested a reorganization of the present National Directorate of the Liberal Party. The idea is to oust us simply because our position is different from that of the great majority; nevertheless, this would deal liberalism a tremendous blow not because of our being ousted but because the party's fundamental principle of plurality is being violated.

The Liberal Party always has been marked by the differing and even opposing opinions of its members, but these differing opinions can be reconciled through dialogue and a concerted effort. Presently, immobilizing, removing, and inflicting a coup on the National Directorate is equivalent to gagging liberalism just as it is necessary for the Liberal Party to contribute its own ideas to resolve the conflict.

There are various shades of opinion in the National Directorate where different liberal trends are represented. The president has said it is necessary to sit down, talk, and convene all sectors of the country regardless of the decision made at the Chamber of Representatives so together we all can devise strategies and work in such a way that we can prevent the problem from getting out of hand. [end recording]

Colombia: Representatives Comment on Photo With Samper

PA1106214196 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 11 Jun 96

[From the "National Newscast"; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 1910 GMT on 11 June; passage within quotation marks recorded]

[FBIS Translated Text] Today, one polemical issue at the Chamber of Representatives was the already famous picture made available last night in which President Samper appears with the well-known [Maria Elizabeth Montoya de Sarria, also known as] Monita Retrechera.

Will this alter the process against Samper? We spoke with the representatives.

As many who side with the prosecution view it, the picture of the president with Elizabeth de Sarria is not only sufficient enough to accuse Samper but also to declare him guilty of dishonorable behavior.

[Representative Maria Paulina Espinosa] "This is the foremost point of dishonor. Don't you believe that a person that comes out of a place hugging another has a very close relationship with that person?"

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At the Chamber of Representatives, however, there is general agreement that the dice have been thrown, with or without pictures."

[Representative Yolima Espinosa] "The truth is that, as I understand it, this picture is from 1989. As Attorney Nieto Roa has said, the president has never denied that he knew Mrs de Sarria. I believe that how this picture will influence the congressmen in their final decision is very personal."

[Representative Manuel Ramirez Velasquez] "This simply proves that Monita Retrechera was not just an occasional supporter, but that she had a long-lasting friendship with the president and this has caught the attention of the parliamentarians, although the voting here has already been generally estimated to be two-to-one."

As members of the Accusations Committee view it, the picture no longer deserves to be taken into consideration and they do not believe that they are acting wrongly for viewing it this way.

[Representative Jose Domingo Silva] "In my opinion the investigation has been closed. We are in the decision phase."

[Representative Roberto Moya] "I am convinced that this picture will not change the decision at all, based on facts that each of the representatives has made."

There are people asking for an investigation to determine whether the picture is real or retouched.

Colombia: Orejuela Admits To 'Illegal Money' for Campaign

PA1206022696 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 11 Jun 96

[From the "National Newscast"]

[FBIS Translated Text] Miguel Rodriguez Orejuela has decided to cooperate with the justice system like his brother, Gilberto, to get a pre-trial sentencing. The first step is to accept that he participated in the drug trafficking business.

Miguel Rodriguez Orejuela's decision was made a week after his brother Gilberto decided to accept drug trafficking charges for two shipments of cocaine sent to Louisiana and Pittsburgh in the United States. Miguel Rodriguez, however, in the hearing for the pre-trial sentencing, will argue before the prosecutors that he always worked under his brother's orders and, therefore, he could not be the chief of any drug trafficking organization.

As for the infiltratation of illegal money into the past election campaign of President Samper, Miguel Rodriguez will say that he did offer money through Alberto Giraldo, but the money was never accepted.

Miguel Rodriguez is currently facing a trial for the shipment of 600 kgs of cocaine to the United States through Costa Rica. In addition, he faces three other drug trafficking charges and is also linked to Case 8000. Miguel Rodriguez' decision to avail himself of a pre-trial sentencing will be made official by his lawyers at the Prosecutor General's Office this week.

Colombia: Chamber Attempts To Conclude Samper Debate

PA1106233996 Madrid EFE in Spanish 2213 GMT 11 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 11 Jun (EFE) — In the next few hours, the Colombian lower chamber will attempt to conclude the debate to determine if Colombian President Ernesto Samper is responsible for having been elected with the use of drug trafficking money, and immediately after that, possibly early Wednesday morning, it will vote on a resolution to exonerate him.

To achieve this, the majority groups at the Chamber of Representatives have agreed to either not suspend their debate at midnight tonight (0500 GMT), as they have over the last 12 days of the process, or officially close Tuesday's session at that time and immediately open Wednesday's session.

"The Congress has to do itself this favor and tonight it must declare itself sufficiently prepared to vote. We have all the information to vote while keeping with the law," said Liberal Party representative Miguel de la Espriella, who has announced he will vote in favor of the president.

The announcement was made while five congressmen are still waiting to speak out of the nearly 100 who asked permission to explain their position.

Colombia: Chamber To Suspend Samper Debate Until 12 Jun

PA1206015796 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 11 Jun 96

[From "The Latest News"]

[FBIS Translated Text] [Announcer] The members of the Chamber of Representatives have already reached an agreement on the order and the time that will be allotted for each speaker, as well as on tomorrow's vote.

Javier Contreras and Gilberto Alvarado will tell us when the discussion will be over in the Chamber of Representatives.

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[Contreras] Tomorrow exactly. The board of directors of the Chamber of Representatives and the different blocs have already reached an agreement in this regard. As a result, the following congressmen were scheduled to take the floor today: Oscar Arias, who already spoke; Eliecer Meneses, who also spoke to the plenum already; Ingrid Betancur, who is addressing the plenum right at this moment; and Dario Martinez, Liberal legislator from Narino Department, who will be the fourth speaker. Congressman Julio Bahamon has confirmed this information to RCN [Radio Cadena Nacional].

[Begin Bahamon recording] The case and all the statements have taken place at regular times, which have been made public through RCN. It does not make any sense that the last speakers, who will either be in favor or against President Ernesto Samper, speak at 0300 or 0400. I do not think that the public would deem this as logical. Four congressmen will speak today, while the last four — Mario Rincon, Carlos Ardila Ballesteros, Carlos Alonso Lucio and Jesus Ignacio Garcia Valencia — will do so tomorrow. [end recording]

[Alvarado] Isabel Celis, vice president of the Chamber of Representatives, was also scheduled to speak, but she submitted a medical certificate to the Secretariat General of the Chamber of Representatives. Consequently, she will not be speaking to the plenum on this occasion. Dario Martinez, Liberal legislator from Narino Department, will take the floor when Ingrid Betancur, who has the floor at this time, is finished. Therefore, in keeping with the agreement reached, the session will be suspended at 2200 and be resumed tomorrow.

[Announcer] Javier, what will happen tomorrow when Jesus Ignacio Garcia, who is the last speaker, makes his statement?

[Contreras] A decision has been made regarding the topic of the nullities [nulidades]. Thus far, approximately nine nullities have been submitted to a subcommittee tasked with reviewing this topic. Once all the congressmen have spoken, the topic of the nullities will be discussed and the vote will begin later on. There are still disagreements among several congressmen as to whether there should be two votes: a criminal vote and a political vote. The president of the Chamber of Representatives, however, insisted that there will be two votes.

Colombia: 4 Remaining Speakers To Address Chamber

PA1206042596 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0230 GMT 12 Jun 96

[Report by Felipe Gomez and Fabio Callejas; from the "Radio Events" newscast]

[FBIS Translated Excerpt] [Callejas] We have a report from the National Capitol. We are ready to present a summary of the events that have taken place here since 1400 today, when the 13th full session of the Chamber of Representatives began. Today we were all expecting the final vote to determine the fate of President Ernesto Samper Pizano, but it will not happen. The extensive speeches delivered by the speakers have forced all factions with a seat at the Chamber of Representatives to reach a political agreement. They have decided to postpone and to leave the four pending speakers for tomorrow and vote on the matter in the afternoon.

It is important to note that this session began at 1400. The names of the speakers in order were: Dr. Oscar Marino Arias, a Liberal from Valle del Cauca Department; Eliecer Meneses, Liberal from Cesar Department; Dr. Ingrid Betancur for Santa Fe de Bogota; and finally, Dr. Dario Martinez, who is speaking now and has been going on for approximately one and a half hours. Dr. Dario Martinez is a jurist and is also a Liberal representative for Narino Department. We said that those who are still pending for tomorrow are Dr. Mario Rincon from the Conservative Party; Carlos Ardila from the Liberal Party; Carlos Alonso Lucio from an independent movement; and Jesus Ignacio Garcia, a Liberal from Cauca Department.

We have more important information about what has taken place here at the Elliptic Room of the National Capitol this afternoon.

[Gomez] Thank you Fabio. There was an extensive discussion on whether the sessions should conclude at midnight. Representatives argued on whether calendar days or working days should be used to determine today's deadline. According to the penal code, calendar days should be used and that is why the deadline was at midnight tonight. The representatives, however, resorted to a penal code article, in view of the existing doubts about Congress' internal regulations, and permitted Lawyer Luis Guillermo Nieto Roa to ask the Chamber of Representatives for an extension so that the four congressmen could speak tomorrow, as Fabio explained.

According to the letter issued by Dr. Luis Guillermo Nieto Roa, the reason for the extension was that given the tremendous importance the process has for the nation, it would be bad for the nation if the Colombian

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people were left with the sensation that, because of the strictness of the law, some of the representatives were prevented from stating their positions in favor or against the closing of the case or the accusation.

Nieto said that since the defender — for reasons outside the Chamber of Representatives — was prevented to explain the president's conduct, it would be incomprehensible for Colombians to limit those acting as investigators and prosecutors regardless of their position regarding the president. That was the most important aspect of this letter, which has allowed discussions to continue tomorrow, apparently the final day of the debates. [passage omitted]

[Callejas] Tomorrow afternoon, once the four speakers finish, the full session of the Chamber of Representatives should begin listening to the report of a subcommittee on nine requests to nullify [nulidades] the process, which were initiated at the Investigations and Accusations Committee of the Chamber of Representatives. If the requests are accepted, the proper decisions would then be made, otherwise the Chamber of Deputies would start making its final decision on whether or not the process is to be shelved or if the president is to be accused before the Senate of the Republic. As we have said throughout these transmissions by Emisoras Caracol, there is a clear trend by the Liberal Party sectors, and even by Conservative Party sectors. They will vote in favor of closing the case. This has been a report from the Elliptic Room of the Chamber of Representatives.

Colombia: 'Sources' Say Chamber To Vote After 4 Speeches

PA1206043896 Madrid EFE in Spanish 0310 GMT 12 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 11 Jun (EFE) — The decision of the Colombian Chamber of Representatives on whether or not President Ernesto Samper is guilty of winning the elections with drug-related money has been delayed until Wednesday evening, after a foiled attempt to continue a permanent session and vote in the coming hours.

After listening to four lengthy speeches by congressmen, each lasting several hours, the Chamber of Representatives gave up its original plan of holding an uninterrupted session until all the congressmen addressed the plenum and voting on whether or not Samper should be tried by the Senate immediately after that.

Congressional sources indicated that the Chamber of Representatives will meet on Wednesday until 1400, local time (1900 GMT), to listen to four additional congressmen, and the vote is expected to begin at approximately 2000 (0100 GMT on Thursday).

Colombia: 'Exclusive' Interview With De la Calle

PA1106144096 Santa Fe de Bogota EL TIEMPO in Spanish 9 Jun 96

["Exclusive" interview with Humberto de la Calle Lombana, Colombian vice president and ambassador to Spain, with an unidentified journalist in Madrid; date not given — received via Internet]

[FBIS Translated Text] [EL TIEMPO] What will your stance be once the Chamber of Representatives decides on Samper?

[De la Calle] If the result is favorable for Samper, personally, and I say this emphatically, I will be glad to see penal actions against the president end. Nevertheless, this decision does not resolve the social and economic crisis that affects us and that the president himself has admitted. The country continues divided and for this reason, now more than ever, we need to seek solutions that will allow us to reunify the great majority of Colombians and that we rescue what has been termed governability. In sum, acquittal is not enough.

[EL TIEMPO] If the Chamber of Representatives acquits the president, do you plan to take part in an agreement the government plans to boost? Would you participate in a "national unity" cabinet in this government?

[De la Calle] Personally, I have not received definite and formal information about cabinet changes. I know some leaders have opposed the idea and this makes it practically impossible. Bureaucratic changes can hardly solve the crisis. In fact many of the ministers are rather good and changing them would not serve any useful purpose.

Another type of in-depth talk with various sectors will be necessary under the circumstances. Agreements need to be sought that guarantee that the country emerges from the crisis and wipes out the existing polarization. It is necessary that the country's tone be recovered. Big corrections need to be made. What happened in 1994 must never happen again in Colombia. Public finances need to be cleansed and trust in our economy restored. None of this is achieved without agreements that include everyone. When I say everyone, I am not referring only the parties, but all the social forces. No one could refuse.

[EL TIEMPO] Behind De la Calle's silence at this point in time, is there prudence, a man whose hands are tied by the country's circumstances, or is it a form of political opportunism?

[De la Calle] What silence? I have clearly and completely expressed my points of view, among other things, in letters to the Liberal Directorate, the senate

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president, or the letter in which I asked for support to the prosecutor.

I have, however, expressed myself with prudence because I do not believe it is my role to worsen things. If there had been opportunism on my part, I would be in Colombia pulling strings to topple the president and get myself into Narino Palace. Leaders from all sectors have expressed their backing to such an stance.

[EL TIEMPO] Several sectors continue to say that if Samper leaves, you are also unsuitable because you were elected on the same ticket and with the same contaminated votes. What is your opinion?

[De la Calle] The personal conduct of several campaign members has turned questionable during this crisis. Very few — Alfonso Cano, the FARC [Revolutionary Armed Forces of Colombia] chief, among them — have said the elections were illegitimate. My conduct is above any suspicion. As you know, the Electoral Council has announced that the elections are not in doubt and that there are no charges against me at the Prosecutor's Office or the slightest testimony at any legal department. I feel that the current situation is a great tragedy. I understand the anger felt by many citizens regarding what happened in the campaign. As when we were young, I feel ashamed for other people's actions. However, I cannot cry over spilled milk. What would Colombia gain with this? It is more constructive to ask oneself: What will happen if it is decided that the elections are not valid? Who could safely say it would be best to repeat the elections?

[EL TIEMPO] A recurrent rumor has it that you wrote a letter to Mr. Justo Pastor Perafan thanking him for a contribution to your political campaign. Is it true?

[De la Calle] Perafan did not make any contribution to my campaign. I say this without any hesitation. Attempts were made, but they were not accepted. The company that managed my campaign rejected a donation, apparently related to this man, with a note dated 27 October 1993. Whoever says the contrary is simply lying. He would be lying like the people who have spread rumors against me. Such rumors — today and in the past — always have a conspicuous smell of blackmail. I want to go further. You will never find a stain of any kind in my life or in the life of my family. I am not only referring to money coming from drug-trafficking activities, I am referring to any kind of crime or undue conduct. A letter coming from me, as you have described it, is either false or a trick. I categorically reject this rumor or any other report that attempts to link me to irregular activities.

[EL TIEMPO] Has the government or the Liberal Directorate hinted that you should quit to facilitate a third option?

[De la Calle] Many people come to tell me that the president wants to veto me. I refuse to believe this because I cannot imagine that the person who asked me to be his ticket companion, who wholeheartedly defends the natural judge, which is Congress, and who demands a due process, be the one to deny the due constitutional mechanism.

One of the problems of a third option is practical. How can a country, which can hardly agree on the most elementary issues, decide on a third option in Congress with the necessary celerity and reliability? I do not want to think about the avalanche of pressures, offers, and negotiations to which the 1,001 candidates would be subjected. Confronted with such a situation, I am convinced that I must comply with my constitutional duties.

[EL TIEMPO] What is your opinion of the many meetings and banquets that have been organized by businessmen and sectors in society to demand that Samper leave?

[De la Calle] They are acts of nonconformity that show the degree of polarization reached by Colombian society. They are manifestations that strongly back the thesis that a solution must be found when the Chamber's decision takes place.

[EL TIEMPO] How do you explain that, being part of the government as the ambassador to Spain, you have neither adopted a position in favor of your chief, the president, nor left to head an alternate movement to confront the national crisis?

[De la Calle] My actions are not disloyal to the president even if, on occasions, we have differences of opinion as is warranted in a democracy. The explanation is logical if you take into account that we represented different positions in the Liberal Party during the pre-electoral campaign. I cannot accept, as several people have hinted, that because I have defended the prosecutor general or expressed my concern for the filtering of drug-trafficking money to the campaign, I have been disloyal. Furthermore, my role is not to organize a movement against the president. The worse thing that could happen to us, in addition to all our woes, is to add a vice president who has the urgent ambition of getting to power.

[EL TIEMPO] What do you think about reestablishing extradition?

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[De la Calle] In the Constituent Assembly, as government minister, I pointed out that the best thing for Colombia would be not to include extradition in the Constitution to allow for its continued use as an incentive for criminals to surrender to justice. However, once the norm that bans the extraditions of nationals was approved, I do not believe the issue should be reopened and do not even think there is a propitious climate for such an action. I, perhaps more than any other Colombian, am obliged to comply with the Constitution. I believe that we have to continue to strengthen the legal justice in the country. The Prosecutor's Office has been a great advancement. We have to admit that the Constitution and the Prosecutor's Office have managed to implement the concept that any criminal, regardless of how powerful he is, has to render accounts to justice. Prior to the Constitution, how would Case 8000 have been handled? Well, it would not have moved from the files of a modest indicting judge. We need to have a real penitentiary system. We cannot afford to have people committing crimes from jail. It is necessary to continue to improve judicial cooperation. This is a much more adequate answer than the extradition of nationals.

[EL TIEMPO] They say you would close the Congress if you were president.

[De la Calle] No. I agree with the political purge. It is something we started in 1991 and that was left unfinished. However, this is only achieved if personal — and, not general — responsibilities are set in regards to corruption and by furthering a large national restoration and political reform movement.

[EL TIEMPO] There are people who say you are a neoliberal who is totally detached from social policy.

[De la Calle] They forget that the heart of my campaign was social policy. "The time has come for social issues" was my basic platform. Colombia's main problem is poverty. I believe education is the strategic key to the future. I am not only talking about quotas. I am talking about an equitable system that will integrate Colombians and not separate us, as occurs currently. A poor child knows beforehand that he does not have possibilities. The die are cast. All social classes coexisted in harmony at my school. The old public university has to go back to being the meeting point for all Colombian society. The French Revolution occurred such a long time ago and it is terrifying to see that our problem continues to be the lack of equality.

[EL TIEMPO] How do you view the fiscal and economic situation?

[De la Calle] We have to get to work immediately to confront the fiscal problem that looms ahead. Although I think it is necessary to improve the decentralization process — we got a good contribution from the European Union for this purpose — I do not think it is right to say that local transfers are the big villains. Recent World Bank studies show that in very many cases, local administrations have done a good job. We have to defend the Colombian provinces. We cannot falter in the decentralization process or use its flaws to hide the big hole that the central government expenses create. In the economic sphere, the basic message is stability. I do not share, for example, the concept of reducing the Bank of the Republic's autonomy. Furthermore, this proposal could not have come at a worse time. It is a tremendously destabilizing message to the countries abroad.

[EL TIEMPO] Do you regret having accepted the vice presidency?

[De la Calle] D'Artagnan [pseudonym used by journalist Roberto Posada Garcia-Pena, brother of Deputy Government Minister Juan Carlos Posada] has stated that he would not like to be in my shoes. He is right. This period has not been easy. However, I must say that I have nothing to regret.

[EL TIEMPO] Does the United States have the right to give its opinion on Colombia's internal situation or do you consider it is violating a process that only concerns the Colombians?

[De la Calle] Foreign interference in internal affairs is not good. However, we must not fall in nationalist fanaticism. We must avoid the verbal excesses to which several officials have succumbed. Such attitudes are regrettable because they weaken the most effective alliance, the one we had with the Americans, to fight the drug-trafficking sector. In general, Colombians have to understand that drug trafficking is a multinational problem that concerns all mankind. There are issues that are necessarily going to have weight in the world's agenda and in regards to which we cannot just claim sovereignty. They are drug traffic, human rights, and ecology.

[EL TIEMPO] How would you advice your friends to vote at the trial?

[De la Calle] The same way I would advice those who are not my friends: vote conscientiously.

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Colombia: Cali Cartel Members Confess, Seek Sentencing

PA1106160396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 10 Jun 96

[From the "Caracol's 0600 to 0900" newscast — passages within quotation marks are recorded]

[FBIS Translated Text] It is said at the Prosecutor General's Office that the rest of the Cali cartel is willing to follow the example of the Gilberto and Miguel Rodriguez Orejuela brothers who have begun to confess to drug trafficking charges at the Prosecutor General's Office and to request the early conclusion of the proceedings against them so as to negotiate their sentences and benefit from the submission to justice law that was issued by the previous administration. This has been acknowledged by Assistant Prosecutor General Adolfo Salamanca Correa in a conversation with Marta Camargo.

[Camargo] Assistant Prosecutor General Adolfo Salamanca Correa has told Caracol that Gilberto and Miguel Rodriguez Orejuela's confession to the crime of drug trafficking through the means of a pretrial sentence [sentencia anticipada] has opened the way for the main leaders of the Cali cartel to use the same procedure, facilitating the action of justice.

[Salamanca] "There is currently quite a strong trend by all those accused in these investigations to voice their willingness to seek a pretrial sentence. I think a large percentage of those accused in these cases will be using this procedure."

[Camargo] With the first confessions by the Rodriguez Orejuela brothers, the parceling out of the cases to the regional judges is just a matter of days.

[Salamanca] "This is why in the next few days, the judges will be dealing with this so as to pronounce sentences in those cases in which this agreement has been reached. In the next few days, more agreements will be reached, and these cases will be turned over to the appropriate judges."

[Camargo] The confessions have also made it easier to refute the arguments of defense lawyers of individuals accused of illicit enrichment.

[Salamanca] "There are several ways to prove someone is a drug trafficker. There does not necessarily have to be a judicial sentence. Therefore, I do not think the situation substantially changes. But for those who had insisted that such a sentence was required, here they will have such a sentence as a result of these negotiations and pretrial sentences."

[Camargo] Assistant Prosecutor General Adolfo Salamanca described the attitude of those who want to maintain that opinion as stupid.

[Salamanca] "I do not think it makes much sense after the accused themselves have fully confessed to drug trafficking activities that go back 20 or 25 years. I think it would be stupid to continue to maintain that opinion."

Ecuador

Ecuador: Leoro Rules Out New 'Hostilities' With Peru

PY1106234796 Quito Voz de Los Andes in Spanish 1700 GMT 11 Jun 96

[FBIS Translated Excerpt] Ecuador has ruled out the possibility of a resumption of hostilities with Peru following the Armed Forces' announcement that they might take military action in light of a breach of the peace accord by Peru. Foreign Minister Galo Leoro Franco has stated that the Armed Forces' announcement to the effect that they might take military action did not mean that they will go to war against Peru. The foreign minister made these remarks following the concern voiced by General Jorge Ortega, chairman of the Joint Chiefs of Staff, about Peru's alleged nonfulfillment of its commitment to demobilize its troops from the common border area. Gen. Ortega had sounded a note of warning, saying that Ecuador would take military action.

Gen. Ortega said: We can do absolutely nothing to prevent Peru from reinforcing its garrisons in the border area. We have to take our own military actions and measures. He nonetheless declined to mention what military measures would be undertaken.

Leoro Franco pointed out that he is well aware of Gen. Ortega's thinking and, therefore, he ruled out the possibility that the general's remarks pointed to possible clashes with Peru. The foreign minister explained that everything has been spelled out in the Itamaraty [Brazilian Foreign Ministry headquarters] Peace Declaration, as regards both military and political aspects. [passage omitted]

Ecuador: Military To Set Up Detachments Near Landmarks

PY1206030296 Quito Voz de Los Andes in Spanish 2300 GMT 11 Jun 96

[FBIS Translated Text] Ecuador will set up military detachments in front of landmarks 13, 14, and 15, where Peru has allegedly established new watch posts. This military measure will help to achieve a balance of forces because Peru has stationed about 600 men at

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the Gutierrez, Cartavio, and Mayor Jara watch posts. These detachments are building fortifications, trenches, and heliports and planting mines.

The Ecuadoran Armed Forces on 10 June expressed their concern that Peru is not complying with the demobilization of troops along the border region and that it is establishing new watch posts.

Ecuador: Results of 19 May Pinchincha Elections Issued

PY1206030896 Quito Voz de Los Andes in Spanish 2300 GMT 11 Jun 96

[FBIS Translated Text] Armando Casar, chairman of the Pichincha Electoral Court, has announced the official results of the local 19 May elections. He said that the elected officials will assume their posts after the holding of the runoff elections scheduled for 7 July.

The scrutiny of the Pichincha Province elections reads as follows:

For provincial deputies, the Popular Democracy Party [DP] and Social Christian Party [PSC] won two representatives each in the next Congress.

The (Pachakutic) New Country Movement, Democratic Left [ID], Ecuadoran Roldosist Party [PRE] and the Lista 2/14 won one deputy each.

In view of this, Pichincha Department will have eight deputies in Congress.

The following party representatives were elected presidents of municipal councils: the PRE representative won in San Miguel de los Bancos, the Conservative Party in Pedro Vicente Maldonado, an independent won in Cayambe, the ID won in the Mejia Canton and in the Ruminahui Canton, and the Socialist Broad Front won in Pedro Moncayo.

Moreover, the DP and the PSC won the Quito and Santo Domingo de los Colorados municipalities, respectively. As for the Quito Canton city hall members, the DP has four representatives, while the PSC, ID, Lista 2/14, and Popular Revolutionary Action parties have one representative each.

In Santa Domingo de los Colorados, the PSC and the PRE won two seats each, while the DP and the Lista 2/14 Party won one seat each.

The Cayambe Canton city hall members will have representatives from the ID, the PSC, the DP, and the Socialist Party, with one representative each.

As for the Mejia Canton city hall members, the PSC has two representatives; the ID and the DP have one representative each.

In the Ruminahui Canton, the new city hall members come from the ID, the PSC, the DP, and the Popular Democratic Movement, with one representative each.

In the Pedro Moncayo Canton, the Socialist Broad Front won three seats and the DP one seat.

The Lista 2/14 Party won the Pichincha Prefecture, while the provincial councilmen will be represented by the DP, which won two seats, and the PSC, the New Fatherland Movement, and the ID, which won one seat each.

In so doing, the Pichincha Electoral Court concludes the definitive and official scrutiny of the 19 May elections, thus becoming one of the first to issue such results after reviewing the various impugnation requests that were submitted.

Paraguay

Paraguay: Wasmosy, Uruguay's Sanguinetti on Ties, Mercosur

PY1106170896 Asuncion NOTICIAS in Spanish 11 Jun 96 p 12

[FBIS Translated Text] Economic and financial issues were some of the main topics addressed by Paraguayan President Juan Carlos Wasmosy and his Uruguayan counterpart Julio Maria Sanguinetti during the meeting held on 10 June. They also analyzed common objectives that will be submitted during the upcoming presidential summit in Argentina.

The waterway issue was also discussed during the meeting held at government palace, as the Uruguayan delegation regards this as one of the more important topics. It has even said that this is the spinal column of future development within Mercosur [Common Market of the South].

Mercosur is one of the crucial topics being confronted by Uruguay, considering the fact that some tense situation prevails between the two countries [as published] largely in the trade area.

They also exchanged opinions on the current legal situation following the charges filed with the Uruguayan courts against two Uruguayan journalists who allegedly insulted the Paraguayan president. They had published charges of corruption reportedly detected during the construction of the Itaipu hydroelectric dam. Wasmosy was interested in learning details on the issue.

Wasmosy and Sanguinetti also addressed the Paraguayan-Uruguayan relationship in face of the various situations being confronted with their neighbor

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countries Brazil and Argentina within the framework of Mercosur.

They also discussed the situation of those in charge of trade in the two countries. They did not address the controversial Helms-Burton law on this occasion.

Sanguinetti is scheduled to hold separate meetings today with Domingo Laino, Authentic Radical Party [PLRA] president, and with the leader of the National Encounter Party [PEN] at 0915 and 1815, respectively.

Paraguay: Uruguay's Sanguinetti on Need for Integration

PY1106172296 Asuncion NOTICIAS in Spanish 11 Jun 96 pp 12-13

[FBIS Translated Excerpt] Julio Maria Sanguinetti, constitutional president of the Oriental Republic of Uruguay, on 10 June noted the changes experienced by the society as a result of education and technical developments that have prompted the need for integration. He added that the challenge lies in knowing how to carry out this process efficiently. He also pointed out that this integration process does not end with Mercosur [Common Market of the South] because, in his opinion, in order to continue it it is necessary to attain a better institutionalization and start a process to rationalize the state apparatus.

During a special Congress session, the Uruguayan president referred to the speedy changes that the world, and especially Latin America, is experiencing by noting the important role education and technical developments have played in this process. Within this context he said that regional integration is a consequence of these changes and that the challenge now lies in knowing how to carry out this integration process efficiently. He also said that Mercosur has made progress because it has been flexible. "Trade within this regional market has increased during the past five years. We have increased from $4 billion to $6 billion and trade with other regions has also increased. This leads us to believe we are treading on the right path but we have still not completed this process," Sanguinetti said.

In this regard he said that "two basic things must be attained: a better institutionalization and a rationalization of the state apparatus. As for the former, we are still acting through government institutions and we do not have courts, organs in charge of settling controversies, trade organizations capable of handling our disputes and this is what we must work on. One cannot undergo an integration process at the detriment of negotiations regarding which the presidents or foreign ministers are exposed to appear in the newspapers.

He also said that another area we must work on is in our presence abroad because "we cannot make the mistake of believing that the world ends in Mercosur. It starts at home and surpasses our domestic border. It is definitely a mechanism through which we can secure a better economy of scale and this is the reason for the agreement with the EU and other nations to which we must open up." Sanguinetti said that this phase leads us to the rationalization process of the state apparatus that can no longer be regarded either excessively in favor of state control or privatization.

Later on he asserted that democracy throughout this process plays a fundamental role because it is essential to avoid any exclusions. [passage omitted]

Paraguay: Foreign Minister To Attend Mercosur-EU Meeting

PY1106142996 Asuncion ULTIMA HORA in Spanish 8 Jun 96 p 11

[FBIS Translated Excerpt] Paraguayan Foreign Minister Ruben Melgarejo Lanzoni, on 8 June left for Brussels (Belgium) and Luxembourg where he will participate in a meeting of foreign ministers of the Mercosur [Common Market of the South] and EU member countries.

The meeting will start on Monday, 10 June in Brussels and will continue in Luxembourg, where it will end on the afternoon of 11 June. The Mercosur delegation will be headed by Argentine President Carlos Saul Menem, temporary president of this regional organization.

During the meeting the delegates will assess concrete ways of rapprochement between the two blocs in view of the agreement signed on 15 December in Madrid, establishing the creation of a free trade zone between the two parties by the year 2005.

During the meeting, the Paraguayan foreign minister will hold a private meeting with EU Vice Chairman Manuel Marin. Marin will visit Paraguay again this year. [passage omitted]

Paraguay: Wasmosy Briefs CBI on Apr Military Crisis

PY1206022996 Asuncion RPC Television Network in Spanish 0000 GMT 12 Jun 96

[FBIS Translated Text] President Juan Carlos Wasmosy met with members of the Congressional Investigating Committee [CBI] today. The president briefed congressional leaders on the causes that provoked the military crisis of April. This meeting occurs one day before the president is scheduled to give his much expected speech to clarify those events.

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CBI members expressed their satisfaction at the president's willingness to answer the questionnaire on the events that occurred from 22 to 25 April and Lino Oviedo's remarks before the committee.

Deputy Luis Mauro said that the president denied the accusations made by the retired general. The legislator, however, refused to give details of the conversation with the president, which lasted more than an hour.

Legislators Blas Llano, Luis Alberto Mauro, and Basilio Nikiporoff attended the meeting at the request of the president of the Republic one day before the much expected presidential speech.

[Begin recording] [Mauro] I do not want to give any details because what the president told us will be made public tomorrow before the entire public opinion. We know he will be accompanied by his main assistants.

[Llano] The president of the Republic showed a positive attitude with respect to the questionnaire. This questionnaire, as you all know, was sent to the president by the CBI nearly 22 days ago. Tomorrow he will officially and formally deliver his answers to us. [end recording]

The president said that if his answers do not satisfy the CBI at this time, he will answer any additional questions in the future.

Paraguay: Oviedo's Allegations to CBI Said 'Inconsistent'

PY1106143496 Asuncion ULTIMA HORA in Spanish 6 Jun 96 p 2

[FBIS Translated Text] Two clear situations emerged from the testimonies of insurgent General Lino Cesar Oviedo before the CBI [Congressional Investigating Committee]: his contradictions, and the inconsistent replies to the very few acute questions made by the CBI members. The session held by the CBI on 5 June showed the lack of strategy to try to unmask the attitude of the coupist military officer on 22 and 23 April.

The story told by Oviedo only casts more doubts and caused more confusion regarding those days in which international interest was focused on Paraguay and created uncertainty among the people.

In the first place, Oviedo — despite his well-elaborated allegations drafted with the help of his advisers — merely recited his document in face of the lawmakers' repetitive questions.

Oviedo was given enough room and time (six hours) to cast more doubts on the investigation.

Following the recommendation of his advisers he failed to reply to several questions and took advantage of the occasion to emphasize his leading role in the 2-3 February coup d'etat.

On the other hand, the CBI members' performance did not meet the expectation because their questions revealed they had not prepared for the event. Moreover, several lawmakers — among them those who support Oviedo — attending the session time and again confused the audience.

Paraguay: Generals Deny Oviedo Remarks on Promotions

PY1206030596 Asuncion ABC COLOR in Spanish 11 Jun 96 p 2

[FBIS Translated Text] General Cirilo Velazquez Steger, General Luis Julian Riego, and General Santiago Zaracho have presented a note to the Armed Forces commander in chief [President Juan Carlos Wasmosy], rejecting [former Army Commander General Lino Cesar] Oviedo's accusations regarding President Wasmosy's alleged remarks that the promotion of some generals had cost him a lot of money.

General Velazquez Steger, who has been the most seriously accused, has already unofficially pointed out that General Oviedo's allegations, expressing doubt about his professional record for receiving a promotion, are inaccurate.

Armed Forces officers have disparate stances on the 22 April incidents. Some Army officers (especially from the Cavalry) support Lino Oivedo's allegations in part, whereas Air Force and Navy officers describe the retired general's allegations to the Bicameral Investigating Committee as fallacious.

Oviedo mentioned some military officers as witnesses for his allegations concerning President Wasmosy's alleged remarks about congressmen. In keeping with the Army's report, however, the generals' note reportedly disavows the retired general's remarks.

Paraguay: Defense Minister on Oviedo Proposal to Wasmosy

PY1206003496 Asuncion ABC COLOR in Spanish 11 Jun 96 p 2

[FBIS Translated Text] "The president would have looked like a perfect idiot had he signed that note," Defense Minister Hugo Estigarribia Elizeche said yesterday. Estigarribia recalled that on 22 May he received a note sent by Lino Oviedo proposing that the president drop all accusations against the former Army commander. Estigarribia said the proposal was rejected outright, and he characterized the note as "a joke."

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The defense minister said that on 22 May he had a meeting with Julio Cesar Vasconcellos and Antonio Colman Rodriguez (Lino Oviedo's advisers), who showed him a note that President Juan Carlos Wasmosy had to sign at the request of the former Army commander. Estigarribia said that Oviedo proposed that the president drop all accusations against the retired general. "I learned of the contents of the letter at the meeting. I told my lawyer colleagues [Vasconcellos and Colman] that in my opinion the note was a joke and if the president signed it he would look like a perfect idiot."

Estigarribia said that he went to the meeting at the residence of Edgar Baez Recalde (one of Wasmosy's advisers) at the request of the president and Baez Recalde. He made clear, however, that the meeting was held at Oviedo's request, not at the president's initiative. Estigarribia said he was told to go to the meeting in order to learn what the note said.

Asked about the contents of the note, the defense minister said that in the note Oviedo proposed that the president declare that "there had not been any rebellion, that there had not been any uprising, that he (Oviedo) had obeyed everything. At the end of the note, the president looked like a defense lawyer asking for an end to the trial proceedings against the former general."

Asked about the date of the note, Estigarribia said he received the proposal "the day before" his trip to Warsaw (22 May). He stressed that his participation in the meeting was restricted to learning of the content of the note and rejecting it. Estigarribia stressed that President Wasmosy does not have anything to negotiate with the former Army commander.

The defense minister said that he informed the president about the meeting immediately afterward, adding that the president also rejected the proposal. Estigarribia said that Oviedo lied to the Congressional Investigating Committee, adding that "he handled himself by uttering bombastic remarks and did not refer to the truth he said he possessed and knew."

Paraguay: Commentary Discusses Wasmosy-Oviedo Links

PY1206030996 Asuncion ULTIMA HORA in Spanish 8 Jun 96 p 2

[Commentary by Arnaldo Alegre: "A Country of Hallucinating People"]

[FBIS Translated Text] General Lino Cesar Oviedo, retired, has pointed at some clear objectives with his testimony before the CBI [Congressional Investigating Committee]: Move to the attack, create more confusion regarding April's military crisis, and pass his first bills to his old friend, President Juan Carlos Wasmosy — as he confessed to legislators.

The president, precisely, is one of the persons mainly responsible for Gen. Oviedo's consolidation as "the thorn" in the democratic process.

The friendship between the two dates back to the time the now retired general launched a heated campaign to put Wasmosy in the presidential seat, and it became consolidated during Wasmosy's years as president.

The game of interests, therefore, is more than notorious. This marriage of convenience had its ups and downs. Between both, metaphorically speaking, there was more passion than love.

And passion, obviously, consumes. Regrettably, the entire population played the role of children in this relationship, and we came very close to being burned by the fire.

Truth is built with probable certainties.

In this case, the first certainty is that Gen. Oviedo indeed endangered the Republic's institutions.

His defense that he had been peacefully resting during the development of the crisis is more grotesque if we consider that the entire national and international public opinion mobilized to repudiate it. Oviedo, however, made confessions that deserve to be analyzed.

Oviedo suggested, even though he has no moral authority to do so, that President Wasmosy uses the presidency to benefit his companies. The courts and legislators must pay attention to these remarks, because who can know more about one's adventures than a friend. We should put aside all lies — from both sides — that were said before and after the April crisis and stop living like "hallucinating" people, as the rebellious general pretended to make us feel with his wild testimony before the CBI.

Paraguay: President Urges Citizens To Strengthen Democracy

PY1206031796 Asuncion NOTICIAS in Spanish 8 Jun 96 p 6

[FBIS Translated Excerpt] Capiibary — President Juan Carlos Wasmosy yesterday urged citizens to strengthen the country's democracy "because the Republic exists as a state of full freedoms" that did not exist before and that must be maintained through cooperation between citizens and the government.

The president made these remarks during his visit to Capiibary, where he inaugurated a number of community projects that will serve this town, located in San Pedro Department.

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During a brief dialogue with people from the zone, Wasmosy said that "we must defend the country's democracy because we live in a state of full freedoms. Never before has a president talked with the people the way I am speaking now," Wasmosy said.

These remarks are a reference to statements made a few days ago by the controversial General Lino Cesar Oviedo, retired, who said that Wasmosy had suggested to him the staging of a self-inflicted coup during April's civilian-military crisis. [passage omitted]

Paraguay: Planned Budget Cuts Reported

96SM0344A Asuncion ABC COLOR in Spanish 29 May 96 p 18

[FBIS Translated Text] Sources in the Finance Ministry acknowledged yesterday that it will be impossible to meet the objective of cutting central government spending by 800 billion guaranis in this year's budget without reducing public investment. Experts at the ministry indicated that at least 50 percent of budgeted infrastructure spending will be carried out.

Facetti himself had hinted that investment should be reduced after he submitted his package of adjustments to the Economic Cabinet and his package was approved by that body; at that time he warned that even with the cuts, Finance will close the year with a deficit. To bridge the gap, he said, the Treasury will have to resort to its deposits in the Central Bank.

The Economic Cabinet approved the package of cuts, the ministries already having been informed of the ceilings.

According to the plan announced by the Finance Ministry, the objective is to eliminate 290.176 billion guaranis from current-account spending, where large amounts are allocated for personnel services (different kinds of payments to active personnel) and payments to retirees and pensioners (inactive personnel).

Under this plan, the sharp drop in revenues will be offset by reducing capital expenditures by an estimated 475.351 billion guaranis. Seventy percent of this category consists of public investment, which means that this program will feel the brunt of the Finance Ministry's slashing.

In general terms, if public spending cuts are not implemented, officials estimate that the budget deficit could easily reach 1.2 trillion guaranis. If these cuts are made, the deficit should be 452.288 billion guaranis, according to their calculations.

The deficit projected by Facetti represents 30 percent of all projected central government spending (more than 4 trillion guaranis) and 13 percent of all budgeted revenues for 1996 (about 9 trillion guaranis).

Paraguay: New Banking Law Discussed

96SM0344B Asuncion ULTIMA HORA in Spanish 14 May 96 p 35

[FBIS Translated Text] Hernan Velilla, head of the National Securities Commission (CNV), while expressing his satisfaction with the passage of the new Banking and Finance Act, hinted that the reordering of the financial system will depend on how strictly the authorities enforce the new regulations.

"Many of these rules already existed in our legislation, but no one followed them, and the Superintendency of Banks did not enforce them," he declared.

He added, in that regard, that the success of the new regulations also depends on how vigorously the monetary authorities oversee compliance by financial operators and agents.

After nearly two years of discussion, the new banking law was passed by the National Congress. It imposes a number of accounting, financial, and legal requirements aimed at strengthening the components of the financial system. In addition, it enhances the controls exercised by the Central Bank's Superindency of Banks and establishes more transparent and clear procedures, particularly with respect to audits.

One of the most important aspects of the new Banking and Finance Act is the weighting of assets, capital, and other factors according to the criteria set forth in the Basilea Pact.

Velilla agreed that these characteristics will make it possible to "measure the solvency of banking institutions and ultimately ensure the security of the public's deposits."

He cited as an example the interesting eight-percent weighting of assets and capital under the new law, and the portfolio ratings established for financial institutions.

As for the requirement to register the new securities established by Congress, the head of the CNV said it was an "error," given that there is great diversity in the way the companies in the financial market do business.

"We have a few companies on the Stock Exchange that are very open to the public, while others are only relatively open and will have serious difficulties negotiating their securities if they have to be registered," contended Velilla.

He pointed out that although registration is of interest for the purpose of identifying who controls a banking

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or financial institution, this information can be obtained by establishing a percentage of shares that must be registered and by exercising proper banking oversight.

"I think that the securities should have remained bearer instruments so that a person can negotiate them whenever he needs to, and can sell all or part of them," he stressed.

[Box, p 35]

Terms and Conditions of New Banking and Finance Act

- Requirement that companies in the financial sector issue registered stock so that the people behind banking and financial institutions will be identified and the public can be assured of safety.
- Increase in the minimum amount of capital required, to 10 billion guaranis in the case of banks and 5 billion guaranis in the case of financial institutions and building and loan associations.
- Weighting of stocks, capital, and balance sheet ratings in accordance with the Basilea Standards.
- Establishment of a Deposit Insurance Fund, whereby the state will reimburse depositors for up to 10 times the minimum wage if they are defrauded.
- Clearer procedures for monetary authorities to monitor and audit banking and financial institutions.
- Limits on loans extended to individuals, private companies, or corporations associated with banking and financial institutions.
- Authorization for financial institutions to expand their services into areas such as savings accounts.

Peru

Peru: Joint Command Says No Troops Inside DMZ

PY1206022496 Lima LA REPUBLICA in Spanish 11 Jun 96 p 3

[By Rosa Reyna]

[FBIS Translated Text] Peru has scrupulously complied with all the provisions established in the Itamaraty [Brazilian Foreign Ministry headquarters] Peace Declaration. It is only awaiting the foreign ministerial meeting to be held in Argentina to establish procedures pertaining to point 6 on subsistent impasses; therefore, it will not withdraw its men from land marks 13, 14 and 15, which are outside the demilitarized zone [DMZ].

This is what an Armed Forces Joint Command spokesperson said yesterday when consulted about the threatening statement made by General Jorge Ortega, the Ecuadoran Armed Forces Joint Command chief. Ortega had informed the media that Ecuador will adopt "preventive military measures" if Peru does not withdraw its troops from land marks 13, 14 and 15.

The Peruvian military officer said: "To withdraw men from our borders signifies undermining our sovereignty. This is an absurd request that cannot be accepted."

He also said that the Brazilian ambassador in Quito last week denied that there are any Peruvian troops stationed in the demilitarized zone and that, therefore, Gen. Ortega's statement is completely false.

He added: "Ecuador expects us to withdraw our forces from the entire Amazon region, but that is something completely illogical."

He stated that these troops were in the border areas where the actual fighting took place but that there are no Peruvian soldiers in the demilitarized area.

He also said that Ecuador expects us to withdraw all our forces from other areas in the Cenepa region but it is impossible to comply with this because they are not encompassed in the border area established by the Itamaraty Peace Declaration or in any other agreement.

He said that Peru complied with the demobilization in July 1995.

As is known, there is demobilization in border areas where there was no fighting.

The troops that were mobilized to Cajamarca and Iquitos were stationed in border areas where there was no fighting.

This was corroborated by the Ecuador-Peru Military Observers Mission [MOMEP] and by the guarantor countries.

Moreover, the guarantor countries and MOMEP representatives have signed the pertinent documents regarding the fulfillment of the demobilization and demilitarization procedures established in the Itamaraty Peace Declaration at the site and in times of peace.

Furthermore, the guarantor countries have also expressed their approval.

He said that in view of this, "we see no reason why the Ecuadoran general has stated that we have 700 troops stationed at land marks 13, 14 and 15 — which are not encompassed in the demilitarized area, nor were they ever demobilized."

He asserted that these land marks are excluded from all the demands.

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He said: "I hope Ecuadoreans are not expecting us not to have men stationed at any of our land marks. Otherwise, how can we verify if there are any infiltrations?"

The military spokesman added that the Ecuadoran request affects our sovereignty. It is not possible for them to expect us to withdraw troops from all our land marks." [no beginning quotation mark as received]

LA REPUBLICA then asked: "Does Peru deny that it has troops stationed in the demilitarized area?

He answered: "Of course; it denies it categorically."

He said that Gen. Ortega made this statement a few days prior to the foreign ministerial meeting in Argentina.

He added: "Ecuador always does the same thing, to hinder the diplomatic negotiations process dealing with point six of the Itamaraty Peace Declaration."

As is well known, Peruvian Foreign Minister Francisco Tudela and Ecuadoran Foreign Minister Galo Leoro are scheduled to meet on 18 and 19 June to define the procedures for discussing point six, that is, the subsistent impasses raised by Peru and Ecuador regarding the definition of the land marks that must still be demarcated in the northern border.

The Peruvian Armed Forces spokesman said that Gen. Ortega's statement was made coincidentally with the coming on board of the new MOMEP coordinator, Major General Lucino Nunez de Miranda Filho, from Brazil.

He added: "They want to avoid discussing the main issue, and that is why they are trying to undermine the foreign ministerial meeting merely one week before the scheduled date."

It must be added that the Itamaraty Peace Declaration establishes that once discussions on points 2, 3, and 5 (pertaining to the separation of forces from the demilitarized zone) is fulfilled, the parties will proceed to engage in negotiations on diplomatic issues, that is point six, which is the basic issue.

In view of this, Ecuador does not want to close the discussion on military issues. Therefore, it alleges that Peru has troops stationed in the demilitarized zone, which is false.

Peru considers discussions on military issues closed. This is tantamount to starting negotiations on diplomatic issues. The Peruvian military officer said: "We Peruvians believe that we have started discussions on point six, regarding subsistent impasses."

Finally, he concluded by noting that during the foreign ministerial meeting, procedures will be discussed with an eye to determining how to solve the list of subsistent impasses.

When LA REPUBLICA asked whether the Joint Command should issue a statement on this delicate issue, the Peruvian military officer said: "It is up to the MOMEP to do so."

Peru: Tudela Says 15 Peruvians Missing in Ecuador

PY1206004696 Lima EXPRESO in Spanish 11 Jun 96 p A7

[FBIS Translated Text] Peruvian Foreign Minister Francisco Tudela said yesterday that a total of 15 Peruvians have disappeared in Ecuador after they were arrested by Ecuadoran security forces.

In his congressional briefing on this case, Tudela said that a Peruvian Foreign Ministry mission headed by Peruvian diplomat Eduardo Llosa is currently in Ecuador to determine the whereabouts of the missing people.

Tudela addressed a closed-door session held jointly by the congressional Foreign Relations and Human Rights Committees, which was attended by 21 legislators and headed by Human Rights Committee Chairperson Luz Salgado. The foreign minister declined to inform the press about the issues discussed during the meeting, but he noted that he hopes to discuss the issue of missing Peruvians in the upcoming meeting he is scheduled to hold in Argentina with Ecuadoran Foreign Minister Galo Leoro.

Tudela reasserted, however, his concern about the harassment Peruvian diplomats are subjected to in Ecuadoran territory at the hands of security forces. He said these "constitute extremely serious actions."

Luis Delgado Aparicio, chairman of the congressional Foreign Relations Committee, said that Tudela's briefing "was extremely fruitful, very serious and detailed." He declined, however, to give any details.

Peru: State of Emergency Renewed in Areas of 9 Departments

PY1106164296 Madrid EFE in Spanish 1856 GMT 9 Jun 96

[FBIS Translated Text] Lima, 9 Jun (EFE) — The Peruvian Government renewed the state of emergency in force in areas of nine departments from the Andes mountain range and the jungle region for 60 days on the grounds that there are "some manifestations of disturbances."

The following are the departments having areas in which a state of emergency has been renewed by a

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supreme decree: Ayacucho, Apurimac, Cusco, Huanuco, Huancavelica, Junin, and Pasco from the highlands and Loreto and San Martin from the jungle region.

The San Martin Department is the only one in which the state of emergency is maintained in its entire territory, whereas the measure is only applicable to some provinces and districts of the other aforementioned departments, in which some terrorist groups and drug trafficking gangs operate.

Statutory regulations provide that the Armed Forces are in charge of the control of internal order in the places where a state of emergency has come into operation and that constitutional guarantees are suspended in these places.

The Ministry of Defense renewed the state of emergency in the aforementioned departments on the grounds that there still are some indications that internal order is being disrupted and "it is necessary to complete the peace process in those areas of our country."

Venezuela

Venezuela: Minister on Armed Forces Patrols, Subversives

PA1206005396 Caracas EL NACIONAL in Spanish 8 Jun 96 p D4

[Report by Rafael Nunez]

[FBIS Translated Text] Defense Minister Moises Orozco Graterol has assured that the Venezuelan Armed Forces during their patrols throughout Venezuelan territory have not detected guerrilla forces or drug trafficking activities, except for activities by bandits who raid the border areas in one way or another.

As for rumors about a regrouping of subversives in the eastern part of the country that security forces are investigating, Orozco Graterol has refused to comment on the eventual reactivation of the guerrilla forces. He has made it clear that he has never said anything on that issue and has referred reporters to the Foreign Ministry so the foreign minister may inform them of that issue.

Because of the two terrorist attacks this week, do you believe the guerrilla forces are approaching Caracas?

I have never said that. The foreign minister must have his reasons if he has said that. I do not like to bring up issues or make statements about things that do not exist.

As for the promotions list for division generals and vice admirals, Orozco Graterol has said the list was being reviewed. He has said that President Rafael Caldera is evaluating each candidate and that the evaluation of candidates for division general is subordinate to existing positions and new appointments.

Officers who will be retired and who are living abroad include Division General Esteban Torres and Vice Admiral Ramon Flores. President Caldera will conclude and reveal his evaluations at the appropriate time.

Orozco Graterol was silent regarding a meeting Congress, through the presidents of the Foreign Policy Commission of the Chamber of Deputies and the Senate, has called to analyze the issue of border insecurity. "Senator Pedro Pablo Aguilar and Deputy Segundo Melendez will inform you of that issue. We were summoned there to give information about each area," Orozco Graterol added.

Venezuela: MBR-200's Chavez Discusses Attacks on Buses

PA1206005596 Caracas EL NACIONAL in Spanish 8 Jun 96 p D6

[FBIS Translated Text] Hugo Chavez Frias, leader of the 4 February 1992 coup attempt and of the 200 Revolutionary Bolivarian Movement [MBR-200], has denied his organization was behind the attacks on public transportation buses. He has accused the Directorate of Intelligence and Prevention Services [Disip] of committing these attacks with the objective of justifying its oppressive tactics and ending civil protests in communities.

During a telephone interview, Chavez recalled that they also were blamed for the letter bombs and the explosives during the "financial terrorism" of 1994, but "the truth is the government, particularly the Disip, is responsible for the destruction of the buses."

"I hope we never decide to take up arms again, because we would not burn down humble people's buses; rather, we would use the tanks, planes, and guns we have available," the retired military man has said with a threatening tone at his office in Chuao.

Chavez has said it is impossible to think the MBR-200 was responsible for the burning of vehicles when a trailer belonging to the organization was burned down on 6 June at 0300 while parked at Propatria. This happened only two months after the "Disip planted an explosive device in Antonio Esparragoza's restaurant in Cumana."

Chavez did not discard the idea that a radical group is behind the burning of buses, but it is a "less likely" hypothesis compared to the responsibility of the Disip and of the DIM [Military Intelligence Directorate], "organizations which spend 6 million bolivares every

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month to keep a surveillance team on all my activities and those of my followers."

Venezuela: Comptroller General on Corruption, Inefficiency

PA1206004196 Caracas EL NACIONAL in Spanish 8 Jun 96 p D1

[Report by Victor M. Reinoso]

[FBIS Translated Text] In announcing details of the international conference on corruption to take place on 13 and 14 June which the Comptroller General's Office will sponsor and in which nearly 500 representatives from 30 Latin American and European nations are expected to participate, Comptroller General Eduardo Roche Lander has reiterated that corruption and inefficiency are still the main enemies of democracy.

- Corruption takes control of public resources the people own. Indolence and poor management lead to the deterioration of the public sector and bar the people from receiving public services in a timely fashion. We have called this event Democracy Against Corruption because controls can be found in democracy.

Comptroller General Roche Lander has disclosed during a news conference that a dirty war had been launched against his office. This war was being waged through calls and faxes sent to state governors and high-ranking government officials, using the comptroller's name, to request money and then to file a complaint before the Interior Ministry demanding an inquiry.

- We have begun receiving information about unethical conduct and a dirty war being waged against the Comptroller General's Office. We are prepared to unmask this situation. Neither attacks nor a dirty war will make us waver from our final objective: to clean up public administration and to fight against corruption. This dirty war comes from sectors that have been affected by the measures adopted by the Comptroller General's Office. The state governors know my voice very well and have called to alert me. Several officials received threatening calls when the former comptroller of Miranda State was under investigation, and I even received menacing calls to my home.

Comptrollers and Auditors Invited

- An invitation has been sent to auditors and comptroller generals from all over the continent, Comptroller General Roche Lander has said in reference to the event.

Colombia's prosecutor general will be participating in the event, so will several national assembly representatives, in addition to national and international specialist on the issue.

The comptroller has said concrete cases will be presented as examples where the struggle against corruption has been relevant, such as in Italy, Colombia, and Peru. On 13 June there will be a live broadcast via satellite that nearly 100 million viewers will see.

- What we are seeking is for the public as well as the private sector to reach a commitment to implement effective controls. We intend to unveil a document that will include 10 proposals and a code of ethics with the objective of defeating corruption and strengthening democracy. We hope this document will be enriched by the contribution by participants to the congress.

He has announced that one of the recommendations to be unveiled is about adequate training and compensation programs to attract and retain competent officials and to harden them against bribes.

- The private sector must implement strenuous codes against those attempting to obtain favors. An exchange of information is critical to develop an international network against corruption.

He added that President Rafael Caldera will inaugurate the conference.

Corruption Cases

As for the crisis taking place in the health sector, the comptroller has said "there is corruption and inefficiencies when public services fail to carry out their responsibilities."

- The mayor of Caracas recently launched an inquiry into the doors of one of the local hospitals that had been burglarized. Hospital installations are not being properly looked after. One recent, pathetic case involves Fima, a foundation established to provide management support to hospitals. Resources assigned to this hospital never arrived during 1995. Failures are caused not only by a lack of funds but also because of nonproductive, hospital personnel.

On sworn affidavits, the comptroller general has said 99 judges had been penalized last year.

- The Comptroller General's Office has penalized a former president of the Republic, a former minister, and a deputy minister who had been promoted to acting minister. Our objective is to adopt measures immediately once we have been able to detect irregularities and before any kind of unfortunate situation can develop; this has allowed us to recover 28 billion bolivares which belong to the social security pension fund and which had been deposited into a bank in which the government intervened shortly afterward.

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Venezuela: National Guard Seizes Drugs, Arrests Citizens

PA1206010396 Caracas EL UNIVERSAL in Spanish 8 Jun 96 p 1-14

[FBIS Translated Text] Caracas — The National Guard [GN] has seized 17 kg of illegal drugs and has arrested four Venezuelan citizens in various operations conducted in Simon Bolivar International Airport in Maiquetia. The first person arrested was 32-year-old Carlos Gualberto Alcala Gutierrez who tried to board a flight to Portugal.

Alcala Gutierrez had seven plastic bags containing approximately 1 kg of pure cocaine taped to his body. Likewise, his companion, 22-year-old Yuraima Gonzalez, was carrying five plastic bags in the same manner. Furthermore, 33-year-old Efrain Villasmil Hernandez was arrested when 2 kg of cocaine were found hidden in his handbag.

It is important to note the arrest of 23-year-old Ragnil Yuraima Aguilar Tavares who was being used as a "mule" to carry 2.5 kg of drugs to Italy.

Aguilar Tavares, who is four months pregnant, was traveling with the drug inside a girdle taped to her body. Her arrest led to the arrest of 10 more individuals involved in drug trafficking and the rerouting of drugs.

Operation "Axis-96"

The GN is conducting operation "Axis-96" to identify fully drug trafficking routes, sources, and methods drug traffickers use to send narcotics outside the country and also to dismantle a network dedicated to securing "mules" to carry the drug, an activity which has reemerged in recent months.

Approximately 23 kg of cocaine have been seized in three days since the operation began, and more than 14 people have been arrested.

GN General Orangel Hernandez Oliveros, chief of the GN's Anti-Narcotics Command, has said the GN is in complete control of all the country's airports, with the cooperation, of course, of the other state organizations and security forces. Hernandez Oliveros added that special interest will be given to the investigation of the "mules" who with their modus operandi try to evade security in the country's principal airport terminals.

The GN's Anti-Narcotics Command has asked for the cooperation of the directors of the airports in Venezuela to implement efficient ways to identify all individuals whom the drug mafias use.

Venezuela: Letter of Intent With IMF Profiled

PA1106180696 Caracas EL UNIVERSAL in Spanish 29 May 96 p 2-1

[Report by Pedro Garcia Otero]

[FBIS Translated Text] Caracas — The macroeconomic stabilization program of the Venezuelan Government, with the endorsement of the IMF, will be supervised by that organization in three stages: in September of this year, three months after the signing of the letter of intent the IMF Board of Directors is drafting in Washington; in December of this same year; and then in March of 1997.

This was learned from the draft document prepared by the government, which will serve as basis for the letter of intent that will be signed with the IMF. A copy of this letter of intent was obtained exclusively by EL UNIVERSAL. This document states the main adjustments that will be made to the economy in the coming years and the macroeconomic goals of the adjustment plan.

As part of the improvements for the supervision of the adjustment program, the government will adopt the recommendations made by the IMF for the betterment of statistical information, creating a "National Statistics Commission," which will concentrate information from public agencies.

In addition, it will create a new accounting plan for the banking system, which will permit authorities to exert better controls on the different components of the public sector; and in September of this year, the Central Bank of Venezuela [BCV] will create a database of monetary information. The government will establish a quarterly ceiling on public sector debt requests and a lower ceiling on Federal Government spending; a ceiling on secondary Federal Government expenses and on the net domestic assets of the BCV. In addition, it will establish quarterly targets on net international reserves of the BCV, ceilings on foreign debt contracting or selling; and a program for the elimination of foreign debt arrears.

The document, which summarizes the agreement to be signed — the agreement is strictly confidential for the government — states that "to support the program, we request the IMF's aid in the form of a stand-by loan for the equivalent of 975 million in SDR [Special Drawing Rights]; we will later try to request funds to support the second phase of our stabilization program, through an extended financing arrangement."

One SDR is an IMF monetary unit based on the fluctuation in the parity of five leading currencies in the world; it has a daily exchange rate, although its parity

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average has roughly been 1.3:1 regarding the U.S. dollar for several years.

There are two completely different phases for the program, with a duration of two years and 10 months, within the letter of intent plans.

The first stabilization phase of the adjustment program will be carried out between April 1996 and March 1997. Its goals include a reduction of macroeconomic imbalances; a reorganization of banks and their relationships with lenders, both local and foreign; strengthening the social security network; reforms to the social benefits system (according to the document, this must be approved by October 1996); and resumption of a privatization program. The privatization program will be renewed with the sale of half of the 49 percent of CANTV's [National Telephone Company of Venezuela] shares currently owned by the Venezuelan state, once the conflict over the sales contract to Lehman Brothers is settled. The rest of the package will be sold in June 1997.

The commitment between Venezuela and multilateral organizations will last as long as the constitutional period because the stabilization program "expires" in February 1999. During the second phase, which will last exactly 23 months, the plan will try to consolidate the macroeconomic stabilization efforts and the banking sector; strengthen the privatization process; and reform the public sector and the social security system.

Specific goals include a reduction in the fiscal deficit to 1.5 points of the GDP in 1996 and to 0 points in 1997. Moreover, the quasi-fiscal deficit (including Fogade's [Deposit Guarantee and Banking Protection Fund] debt with the BCV) should close at four points of the GDP this year and it should be reduced to 2 percent by 1997.

Meanwhile, inflation should reach a goal of 1.5 to 2 percent by the second semester; and the government's hope is for the GDP to have a 4-percent annual rate by the fourth quarter this year, but the drop during these two months of adjustments will result in an annual rate of -1 percent for 1996.

Focusing on Fiscal Matters

This document points out that "the government has decided to implement a program of economic adjustments directed toward medium-term growth," adding that "fiscal adjustment will be the central point in the stabilization effort."

In the area of expenditures, the consolidated public deficit should be reduced to 1.5 percent this year and to zero in 1997 in order to achieve this purpose. In addition, revenues should increase.

This document pledges to the IMF that the National Congress will approve the aliquot of the IV-MCS [expansion unknown] by mid-May (we are in late May) and that the domestic gasoline price will be maintained at 85 percent of the export price. This document also pledges to increase PDVSA's [Venezuelan Petroleum, Inc.] share in fiscal accounts through an increase in its operational profits (from 13 to 19 points of the GDP) because of the favorable impact of devaluation on the BCV's revenues in bolivares and due to "efforts to improve PDVSA's efficiency, including a policy to control current expenditures."

The PDVSA's total treasury tax will increase by 3.5 points of the GDP (from 7.5 to 12 percent) in 1996.

The increase of fiscal revenues also includes the growth of the nonoil economy, although no specific goals were announced. This document points out that "the present surplus in current accounts is expected to increase in 1996, although this surplus should drop in 1997 because of the recovery of private investment."

In order to increase the disappointing figures of income tax collection, the government also pledges to reform tax law during the first quarter of 1997 to eliminate many of the current tax exemptions, including those of the economy's primary sector.

In the area of increasing revenues, however, the "domineering role" will be played by multilateral debt, with a strong emphasis on privatization, which is still pending.

The overall estimated debt over the next two years amounts to $4.5 billion, which will be divided as follows: This year's net debt will amount to $2.9 billion, including loans worth $450 million from the International Bank for Reconstruction and Development (World Bank) and the IDB; $200 million from the Andean Development Corporation, and $370 million from already existing multilateral financing. The IMF will supply the remainder under the stand-by [preceding word in English] agreement.

A net debt worth $2.6 billion is expected for 1997, mainly from loans amounting to $1.8 billion from the World Bank and the IDB and from financing of some $800 million in voluntary markets.

Regarding privatization, the estimated goal is $1.2 billion for this year and $1.6 billion for 1997, mainly from the sale of stock of CANTV; the privatization of the CVG's [Venezuelan Guayana Corporation] aluminum and steel sectors in March 1997, and the privatization of the electricity sector during the first quarter in 1997. In addition, according to this document, a regulatory framework for the electricity sector will be established

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during the third quarter in 1996 and the invoicing system of the state electricity companies will improve.

Moreover, banks will be privatized as follows: the Venezuela and Consolidated Banks will be privatized during the third quarter, the Latin Bank will be privatized by December 1996, and the Republic Bank will be sold by mid-1996.

Devaluation and Inflation Anticipated

Within the foreign exchange and monetary part of the adjustment program, the government will establish a currency band that will be depreciated according to the previously announced semiannual inflation goal. It should be noted that inflation is expected to be around 10 percent between September and December, this goal will be announced in September and devaluation will be proportional to the increase in the IPC [expansion unknown].

This is a somewhat slower and more sophisticated way to apply "crawling peg" [preceding words in English] policies, which also coincide with the government's strategy of strengthening the external sector.

This document points out that "...the BCV will continue supplying foreign exchange to the market. The BCV's sales will be conducted in a fashion that is consistent with the program's objective of net international reserves."

There are very definite goals within the foreign exchange program to recover net international reserves: $1.5 billion for this year and $1.2 billion in 1997 in order to satisfy the demand for imports during a six-month period. The total amount of reserves would be about $12 billion.

"The floating domestic exchange rate provides an indication for the BCV on the exchange value of the bolivar in the foreign exchange market."

According to the terminology, the government admits the need to maintain an independent BCV and it estimates that by September 1996, it will pay off its obligations for refinancing its debt in 1989. These obligations amount to $2.8 billion. The government also expects to honor its overdue liabilities with the BCV on a temporary basis. Furthermore, Fogade, along with the BCV will also be documented.

Seniat Will Collect Social Security Taxes

The reform plans agreed to by the IMF, other multilateral organizations, and the government give significant importance to reforming the social security system, the social benefits system, and, principally, the Venezuelan Social Security System (IVSS).

Regarding this institution, the terms of the agreement point out that the "financial situation of the IVSS has deteriorated because of an exceedingly large number of personnel, the high cost of health care in comparison to the number of contributors (including service to noncontributors), poor control over expenses, and a high percentage of evasion of social security quotas. That is why even though the IVSS's finances have maintained a steady cash base, overdue payments to retired persons, IVSS workers, and suppliers have accumulated."

With the IDB's support, a reform plan will be drafted in October to include the division of health services (which will be transferred to the MSAS [Ministry of Health and Social Assistance], state and municipal governments) of the pensions services.

Moreover, an increase in social security quotas has been "scheduled" for next year, and the Seniat will be responsible for collecting the social security quotas to reduce evasion. The "trial balloon" launched by IVSS reformer Carlos Walter seeks to give the increase of social security quotas a "political base."

The number of quotas needed for social security retirement and the period to calculate social security benefits will be increased, which will allow a greater efficiency in the distribution of funds.

Despite all these planned reforms, transfer of funds from the government to the IVSS will continue in 1996 to avoid an accrual of delayed payments to IVSS retirees and suppliers.

An End to Social Benefits?

According to the IMF, the government promises, in a period that will not exceed the first part of the reform program, to reform the social benefits system because "the current system cannot be sustained and is an excessive burden to employers. It affects the ability to hire and to create jobs, diverts workers from the formal sector to the informal sector of the economy, and reduces job stability in the formal sector. The executive branch acknowledges the need to eliminate distortions in the economy."

In the public administration area, the document points out that the current social benefits system has drastically increased labor costs and has delayed the process of change from a centralized administration to a decentralized administration. The various government pension funds will be fused into one general pension fund.

Regarding the social programs, they are "sanctioned" as being of "capital importance" by the document, which points out that there are three groups which need

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protection: low income families, elderly retired persons, and persons using public transportation.

According to the report, the plan to increase subsidies does not clash with the financial aims of the government and a "family program" will be implemented through the schools doubling the benefits of the more needy.

The social benefits program will be monitored directly by a Finance Ministry team. This team will be in full operation by June, and it will also supervise other areas. Funds for it operation will come from the IDB.

The macroeconomic adjustment plan calls for the privatization of a sizable portion of the state's assets and all the nationalized banks, as well as assets of banks seized during the 1994-95 crisis.

The privatizations are intended to raise the sum of $2.8 billion, which will be used to pay the foreign debt (directly or through the Debt Rescue Fund) and to pay Fogade's debt with the BCV, which totals an amount equivalent to the one that would be obtained through an overall privatization of assets. The payment of this debt will be carried out through loans to multilateral banks and the sale of assets owned by Fogade.

The privatization process will begin with the Banco de Venezuela (September), the Banco Consolidado and Banco Latino (December), and the Banco Republica (March 1997). The 77 Banco Latino branches eliminated in the reduction of that institution will be previously sold, in September.

The electric sector's sale will occur in March 1997 and the regulation framework for this sector will be approved by the fourth quarter. The structure for state-owned enterprises' collection system will also be improved. According to the government, the sale of CVG's aluminum and steel sectors will also occur during the first quarter next year.

However, the government's "privatization jewel" will be CANTV, whose 49 percent of shares owned by the government will be sold in equal parts in December 1996 and July 1997.

Cutting and Gluing It Together

In order to obtain the IMF's support, the adjustment program pledges to undertake profound reforms to the central government's administration, to sell state assets and the banks that are under the government's control, and to eliminate all controls over the economy, including medication prices. The list of medications under the government's control will be reduced to 50 next month.

In addition, the government specifically pledges that during the remainder of its term, neither will it establish any new price control nor mediate in negotiations for wage hikes in the private sector until February 1999.

In order to adapt to the BCV's free management of interest rates, another control to be eliminated is the one limiting the active rate to 85 percent as the ceiling for loans to the agricultural sector. The volume of preferential credits for this sector, which was fixed at 17 percent of the banking portfolio, will be reduced to 12 percent in December 1996 and will be eliminated in 1997. It has been planned that the subsidy program for collective transportation will operate until 1998. After that year, this program will be eliminated because it is believed that within two years the vehicles for public transportation would have fully operate using natural gas technology.

The document admits that "it is necessary to reform the public sector and to control social expenditure in order to ensure the sustainability of the fiscal effort over time and to improve economic efficiency. Within the next two years, the reform to the public sector will cover three main areas: fiscal administration, reductions in the number of ministries, and general decentralization. [no closing quotation mark as published]

The programs for merges and control of public expenditure include the merge of the Interior and Justice Ministries, as well the already announced merger of the Development and Foreign Trade Ministry [MF] and the Foreign Trade Institute [ICE] into the Commerce and Industry Ministry and the merge of the Transport and Communications Ministry with the Ministries of Urban Development and Environment and Renewable Natural Resources into the Infrastructure Ministry.

In addition, reforms will be undertaken at the Ministries of Education [ME] and Health and Social Welfare, and the Venezuelan Social Security Institute. An undetermined number of ministries without portfolio and government dependent agencies will be eliminated, according to the official document.

Aspects of the Adjustment Program

What will be eliminated:

— Transportation subsidy program (1998)

— Preferential rate for agriculture (1997)

— Central government-BCV debt (September 1996)

— Government's intervention in fixing minimum wage for the private sector

— Controlled medications (June 1996)

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— Price controls (throughout the period)

What will be created:

— A national statistics commission

— A data base for monetary statistics for the BCV

What will be reformed:

— The ISRL Law [expansion unknown] (1997)

— Merges of the Interior and Justice Ministries/ MF and ICE

— Reorganization of the ME, MSAS, and IVSS

— Strengthening of the government's surveillance and regulatory ability.

What will be sold:

— Electrical sector (first quarter in 1997)

— Aluminum and steel sectors CVG (first quarter in 1997)

— CANTV (mid-December 1996 to mid-June 1997)

— BCV (September 1996)

— Banco Consolidado (December 1996)

— Banco Latino (December 1996)

— Banco Republica (March 1997) Source: Venezuela-IMF Term Sheet

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